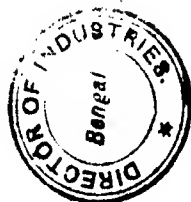








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# THE LIMITS OF STATE INDUSTRIAL CONTROL

A SYMPOSIUM ON THE PRESENT  
SITUATION & HOW TO MEET IT

EDITED BY HUNTLY CARTER



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LONDON: ADELPHI TERRACE

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## PREFACE

THE following matter is the outcome of an attempt to learn the views of a number of representative public persons in this country on the urgently pressing problem of "State" Control. It has long been realized that the problem is one of the greatest the country has to solve. And it is now realized that the war has given it a prominence which entitles it to first consideration during the coming readjustment and reconstructive periods.

The questions submitted were as follows :—

1. What in your opinion will be the situation immediately after the war as regards State Control ?
2. What in your view is the limitation of State Control to be maintained ?
3. What in your view is the best policy of control to be pursued in the highest interests of commerce, trade and industry ?

These questions invite, it will be seen, opinions upon the control situation produced by the war, and as it will appear when peace is signed, and upon the negative and positive aspects of the immediate future of Government Control. Though the answers appear fragmentary, as by the form of the inquiry they are bound to do, they will be found to contain a fairly complete and sufficient answer to all three questions, and to some extent a constructive criticism both of the theory and practice of Government Control by distinguished men and women who are all qualified by expert experience to make it.

I may say that it is not part of the purpose of this preface to criticize the contributions. Nor is there space adequately to summarize them. But perhaps a word may be said about their arrangement, and an indication given of the nature of the varied opinions from which there emerges a general conclusion. The conclusion is that an intelligent policy of control



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is needed, and the sooner this country gets it the better. In other words, the Government will spoil the country if they continue their war-time meddling in business and private affairs.

In arranging the contributions I have followed my usual plan—one that always seems to me simplest and clearest—of placing contributors in the order of their special interests. Thus they fall naturally into well-defined classes, each with a special interest of its own, yet related to all the others by common interests. I do not expect this arrangement to meet every one's approval. Indeed, I am prepared to hear some one say that I have not rightly placed every contributor, seeing that there are many-sided specialists who belong to more than one specialism, and there are other specialists who do not deal with their specialism. I dare say this is a just criticism, but it is an answerable one also. I think it is a general law that a many-sided person of great ability has a predominant interest to which all his other interests are subordinate, just as he has a predominant emotion upon which his emotional system may be constructed. Take Mr. Bernard Shaw, for instance. He is a many-sided person of great ability who has a predominant interest, viz. socialism, just as he has a predominant emotion, viz. sympathy. Mix the two, add the ingredients of a very varied expression, and you have the complete Shavian Temple of Socialism from the first breath of the Fabian Essays to the last sigh of *Man and Superman*.

It is true that some contributors do not keep to their specialism. This neglect to talk shop is, however, not necessarily a proof that the specialist has abandoned his trade or profession. What it means is that an expert in, say, finance, has expressed himself on the question of Government Control and has left it to be inferred that his conclusion is that held generally by leading financiers. So it may be said that whether or not it is an opinion related to a special interest that the contributor expresses, he remains strictly in his own class. Therefore each group of contributors may be taken as expressing an authoritative body of opinion that indicates the attitude towards Government Control accepted by that group. Any one who cares to look at each group in turn in this way will find the process a fruitful source of conclusions. It will provide plenty of choice between theories and policies of Government Control expressed on behalf of the people, and the governing and educated classes.

Possibly the chief interest of the book lies in the diversity of opinion concerning the present-day cause and effect of control, and the policy to be pursued. The most important causes of control may be divided into six groups, metaphysical, philosophical, political, social, economic, and industrial. The metaphysical, found in Free Will and Determinism, and the philosophical hound up in the eternal question why man needs control, and what fundamentally controls him—these causes do not immediately concern the contributors. Therefore they have proceeded to the other four causes more closely connected with the subject of my inquiry.

Though I did not invite discussion of metaphysical and philosophic points, it is perhaps permissible here to consider a more intricate matter connected with the origin of control. By some social and industrial reformers it is thought that nowadays Government Control is the outcome of popular desire—the desire for liberty only to be obtained by an intelligent policy of control. In other words there is a desire for liberty in control—strange paradox! Those who look deeper are, however, aware of the fundamental fact that men are largely and permanently controlled in their thoughts and actions by the word liberty, not by the true ideal which it contains. In fact to-day our most valued asset is words, not the ideals which they inform. It is true that our foremost writers and thinkers are continually talking about ideals. It is true also that the realization of ideals seems to be the object of their life. But actually they are engaged uttering sounds which we call words and phrases, without any sense of their meaning. State, Liberty, Authority, Democracy, Association, Capital, Labour, People, Peace, Power, Empire, League of Nations, Patriotism, Reconstruction, Control,—all these formative words what do they mean to most people? What do they mean to statesmen and politicians? What do they mean to that immense crowd of perspiring persons who to-day give them more prominence even than newspaper posters? Ask any of them what ideal in any of the words is being discussed, and we must come to the conclusion it is not the vital ideal that originally established the word. It is one of those periodical revisions of form which change of circumstances is permitted to impose upon words. So it comes about that whatever men may say or think, words, not ideals, are the greatest force in the world just now. They move men perhaps more powerfully than they have ever done, and they move them in a wrong direction. The reason

## The Limits of Sense and Civilization

why they do so is that men are actuated by their emotions, and their emotions respond to the meanings conveyed by words. So, actually they are moved by the false meanings given to established words by the said application to wrong concrete experience. For example, the word patriotism has been revised to suit the requirements of war-time chauvinism, with the result that chauvinism is enabled to usurp and hold the position which by right of necessity, which first brought the word into use, was intended for patriotism. The same may be said of many other words that dominate in politics and economics. In particular there are the three survivals of the lawyer-made French Revolution. Strictly speaking, Liberty, Equality and Fraternity are the invariable signs of old age, yet they dominate all departments of new-age thought to-day. They are the arbiter of peace, the creator of a new world, the patron saint of religion, art, drama, literature, the saviour of society and the redeemer of home and foreign politics. Combination, Concentration and Control are the current signs of abundant youth. This is the Trinity that England most needs. And when we come to think of it, it is one for whose duties Liberty, Equality and Fraternity, in the strict sense, are especially unsuited. Considered in the light of this reversal of duties it is reasonable to conclude that the evil that words do lives after them, whilst the good is often interred with their bones. Or, to put it shortly, words are the present-day root of all evil.

From the discovery of this present verbal cause of control it is not difficult to pass to the discovery of the present nature of control, and beyond this to the inevitable effect. The whole thing is simply an adventure in the wide domain of the logic of the absurd. One can picture loud laughter revolving round the ultimate displacement of ideals by words, and the amazing situation produced by this sort of up-to-date folly and vanity taking over the control of men's affairs. Fortunately there are signs that mankind will not be permitted to penetrate too far into the absurd without an effort being made to rescue them.

Settling on the surface of the new civilization are persons capable, it would seem, of adding touches of a permanent value. To these, significant words appear as the bearers of ideals designed by nature and intended for the guidance and salvation of men. Such are the French Regionalists who have long made it their business to release the true ideal in the word regionalism, and to set it to work to shape the actual.

## Preface

Thus we see emerging from "regionalism" the social-individualistic ideal of a natural or place-sanctuary for creative impulse. Such too are the leading members of the English Sociological Society who have, for some time, been preoccupied with the true ideal contained in the word City, which, to them, appears as an organic or people-sanctuary for the full and free expression of creative citizenship. And such are the English National Guildsmen who are actively engaged extracting the true ideal from the word Guild, to which necessity originally gave the meaning of a functional or work-sanctuary for creative occupation.

The desire to find a direct cause of control in the creative content of words, and to place men under the control of creative impulse and function, is referred to in the sections on Sociology and National Guilds. In Mr. Victor V. Branford's important article the civic control issue turns, it will be seen, upon the restoration of the word City to its original meaning, sense and significance, as the State, that is, the City-State of the early Greeks at their highest and best. Sir Hugh Bell also suggests that the present-day use of the word State rests upon a misconception. It is hardly necessary to say that it is to Mr. Arthur J. Penty, who contributes to this symposium, we owe the restoration of the ideal to the word Guild. The ideal as released by Mr. Penty first appeared in his *Restoration of the Guild System*. This book was written to expose the fallacies of collectivism and to recommend the Guild as the type of organization on which industry shall be reorganized. The pursuit of the ideal was continued in *Old Worlds for New*, which was written to develop it and its group of ideas. In his third book, *Guilds and the Social Crisis*, recently published, he turns more in the direction of policy in order to show the influence of the war upon Guild policy which, accordingly, he brings into relation with the problems of readjustment and reconstruction now confronting this country. The doctrine of Guilds, as outlined by Mr. Penty, is implied in most talkings and writings on National Guilds, and the literature of the subject, as yet limited to a few books, pamphlets, and a number of newspaper articles.\* This literature is, however, sufficient to confirm the belief that the Guild ideal as set forth within recent years is one accepted by a number of live persons who are entitled to speak with authority on the Guild theory and practice of industrial economics, and to prove that the word Guild has become more or less

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a pledged word—pledged to the immediate purpose of transforming the world of labour. If we turn to that very able piece of descriptive interpretation, *The Meaning of National Guilds*, we shall find that the Guild ideal has reached the point where Guildsmen are seeking to set it to work, and are grouping themselves in more or less critical alliances possibly only for the temporary purpose of disagreeing on method till they can hit upon a common one. But it would seem that during this inevitable period of babble and Babel practical proposals of great moment continue to emerge. For example there is the scheme of Mr. J. Paton, the editor of *The Guildsman*. I fancy his proposal to set up a Collective Contract between employer and employees will, in the long run, be of more substantial service to industrialists than most of the other Guild schemes put together. It may be mentioned here that a scheme of Collective Contract is being considered in France by industrial economists. The point under consideration is whether syndicates of employers and employees should be left to unite spontaneously in a collective contract, or whether associations should be governed by laws.

I have dealt with that cause of control which may be said to be the direct outcome of human necessity. And I have suggested that if this cause is neglected or perverted the effect will be proportionally false and destructive. In fact, to eliminate the true ideal from the word is to set Satan masquerading in sheepskin. As to the other four causes of control, political, social, economic, and industrial, I need speak only briefly. To begin with, it should be observed that, broadly speaking, these causes represent three predominating desires, individualistic and collective, or roughly libertarian and authoritarian. There is the extreme desire to control the Many in the interests of the Few, the extreme desire to control the Few in the interests of the Many, and the compromise found in the desire to control the Many in the interests of the Many. These desires will be found underlying or openly expressed by the contributions in this book. Hence arise questions of first importance. There is, for example, the political question whether the Government should be the cause or effect of social control? Should the Government be the instrument of Society or Society the instrument of the Government? The views expressed by the leaders of the Government, inasmuch as they embody popular sentiment, appear to uphold the theory that society controls the Government and directs them in its interests, that is so far

## Preface

as domestic affairs are concerned. I dare say some person will remind me that this is taking a very hopeful view of the present Government. For if it is true that the Government do appear to lean towards popular opinion, it is true also that they have appropriated the instrument of evasion for their own convenience. Perhaps therefore it would not be incorrect to say that the Government is composed of persons who represent themselves and misrepresent others.

The other causes out of which control may arise are concerned also with vital questions. First among contemporary economic causes is undoubtedly money (or money-capital as it is sometimes called). Hence the question, how shall money be controlled so as to become a vital factor of national life. How is it to be organized so as to be set circulating in a vital manner throughout the arteries and veins of the whole nation considered as one man, instead of being confined to extremities only. The answer occurs in the recognition of the rights of the Few, the organizers, or the rights of the Many, the producers, or the rights of both combined.

Closely connected with this economic cause of control is that of labour (or energy-capital as it might be called). Here the question is whether the worker ought to be the cause or effect of his work, whether he is to control the means of production in the interests of himself and the Many, or be controlled through them in the interests of the Few? Besides this there are the two questions of competence and confidence. What is the precise mental condition of the worker to-day? Does it entitle him to have full access to, and complete control of all the natural resources that should be the common property of mankind? Or is it true that at the present moment Labour suffers from overmuch heart and too little brains, just as Capital is said to suffer from overmuch brains and too little heart? Is it true that when we come to examine the working-class mind we find that Labour is no more than a combination of aspiration and perspiration? Assuming that the worker is not mentally fit to take over complete control, but is capable of participating in management, and should participate in profits, we then have the question, how is harmonious participation to be attained? What will remove the cause of friction between Capital and Labour which has led up to the prevailing war-like situation? We know that the situation rests upon mutual suspicion. The masters lack confidence in the men, and the men lack confidence in everybody. Consideration for

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any one outside their own class is regarded as moral cowardice. Of course no one should say that the workers ought not to enter into control because that system has not been tried. What ought to be said is that no new system of industrial control should be tried till the industrial egotism and mistrust that provokes unnecessary class war has been swept completely away. So, much valuable time and energy will be saved for advance. Control like charity begins at home.

A predominant cause of control appears in environment. To-day men have no real control over their own surroundings, but are largely and injuriously controlled by them. This has been seized upon by sociologists as an excuse for an attempt to reverse a very unnatural order. What immeasurably greater independence of thought and action, they say, there will be under the inspiration of surroundings that are primarily the outcome of clearly comprehended and reasonably controlled desire. This change, I agree, is desirable. But it is as difficult as yet to foretell whether it will bring society permanently nearer the millennium of social control as it is to say whether a woman Prime Minister will cause the political millennium. The most one can say at present is that control is like a brilliant of many facets, the true experience of men is the light that gives it full effect. The business of men is to take care of the true experience, and control will take care of itself. This true experience, in the form of creative ideals, is to be found buried in words. The moral is, be careful that you handle words to mean truth, and do not let periodical revision rob them of their Gospel verity.

There is the effect of control to be considered. Arising from effect is policy which, in turn, becomes a cause of control. It is towards conclusions whether policy should be dominated by statesmen, by the governing class, or by the people, that each symposiur contributes an opinion. The effect of control upon business and labour is also fully dealt with. On the historical side, Miss B. L. Hutchins contributes an article of extreme interest. On the contemporary side Mr. John Hilton provides an able summary of the immediate pre-war and war-time situation. Though the article does not directly discuss the questions set, it furnishes valuable facts on the situation and how to meet it that distinctly belong to the subject of control. It should be said that the article has been revised and brought up to date for inclusion in this book.

## Preface

The greater part of it first appeared in *The State and Industry*, comprising the fourth volume of the Reorganization of Industry Series published by Ruskin College, Oxford. This series of reports of representative working-class conferences, with discussions of the lectures and the lecturers' replies, form a very valuable summary of the question of reorganization from the Labour point of view.

As to the war-time effect of control in producing a bureaucratic web, that comes in for deservedly severe censure. The possible effects of post-war control cannot of course be estimated till it is known whether the nation is to be freed of war-time conditions and consequences which practically amount to a revolution. Some possible effects are forecast by Mr. Bernard Shaw, whose article, by the way, was torpedoed on its way from Ireland to London. Neptune will no doubt find the forecast a very fine subject, if it is not rather too much for him. Mr. John Zorn throws out a number of stimulating conclusions. In the present age of democratic thought it is next to impossible to predict from remaining specimens of European monarchs whether an annual king is desirable, but Mr. Zorn suggests that we should have one. Mr. Robert Williams's observations lead us to see to what extent the Trades Unions are in favour of nationalization as a form of control. What nationalization is really capable of doing, is not very clear as yet. To some alert minds it appears as a kind of camouflaged Dora. Perhaps the mystery itself is too profound for the present stage of human insight.

As the omission of one or two authoritative names from the book may be noticed, let me say it is not due to any reluctance on the part of representative men and women to oblige me with their opinions. Indeed I owe sincere thanks not only for the contributions, but for the courtesy and consideration I received from every quarter from which I invited contributions. As will be seen in a glance at the list of contributors, the contributions, besides being marked by extreme ability and authority, have come from very busy persons, all of whom have turned from pressing work of immediate importance, to honour me by acceding to my request for their views. Only two or three intending contributors were prevented from taking part in the symposium. Mr. H. G. Wells, finding that he was unable to turn aside from immediate commitments, wrote regretfully that he was unable to avoid his omission. And Mr. G. K. Chesterton would gladly have sent an expression of his views but for the great anxiety



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in which he was involved by the most regrettable illness and death of his brother, Mr. Cecil Chesterton.

Nine of the replies contained in the State, Capital and Finance sections originally appeared in symposium form in *The Organiser*. Four of these have been revised and expanded by the authors for this book. I am deeply obliged both for the permission to reprint and for the additional matter.

HUNTLY CARTER.

*February 1919.*

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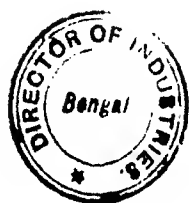
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## ***THE STATE VIEWS***





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### **THE END OF CONTROL.**

**THE RIGHT HON. D. LLOYD GEORGE, P.C., M.P.**

### **THE GOVERNMENT AND CONTROL.**

**THE RIGHT HON. A. BONAR LAW, P.C., M.P.**

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**A.—LEADERS OF THE GOVERNMENT.**



**The Right Hon. D. Lloyd George, P.C., M.P.**

## **THE END OF CONTROL**

**BY**

**D. LLOYD GEORGE**

No one ever dreams of continuing the present system of control after the war. I agree with my friend, Sir William Pearce, that the strength of this country has been very largely in the ingenuity, the self-reliance, the adaptability, and the resource which come from individual effort.

But no one would ever dream of continuing the present system of rigid, meticulous interference which is essential in a war.

I quite agree that, when the war is over, all the constant interference, which may be absolutely essential now to direct and concentrate the whole strength of the nation on the war, must disappear.

<sup>1</sup> This, and the two following opinions, are reprinted here by permission of the Imperial Commercial Association with the object of showing the Government attitude towards State control. They originally appeared in *The Times*.

## **The Government and Control**

### **THE GOVERNMENT AND CONTROL**

**BY**

**A. BONAR LAW**

I SHOULD like to say a word only about the problem that was referred to by the Prime Minister—namely, that of control. I was myself long enough in business to know that there is nothing a man who is running his own business hates so much as unnecessary interference from anybody. I can assure you that the Government as a whole is anxious at the earliest possible moment to get rid of the restrictions which the war has made necessary, and to allow individual competition to have the free play which has made our commercial community so great. I assure you that the Government wish to get rid of Government control as soon as possible.

## **BUREAUCRATIC ADMINISTRATION**

**BY**

**JAN SMUTS**

IN referring to the problems of reconstruction with which this country is faced to-day, and which would become more acute as we approached the end of the war, he expresses the opinion that the old haphazard world is dead, and that in the new world of commerce and industry which will arise there will be much more organization. But he wishes to sound just one warning note, and to impress on everybody the importance of not submitting too far to Government control or relying too much on Government assistance. Bureaucratic administration had generally in the past been fatal to industry and commerce, and they had no reason to think that their experience in the future would be different. They had heard much of systems of Government control, but the vast fabric of British industry had been built up by private initiative and resource. If we wished to rise to even greater heights he adjured every one not to let the initiative pass out of their hands. Let the Government be helpful, but his advice was, Do not be unduly controlled by Government agencies in the future development of business. Not so much in control did he see the true function of Government, but in opening up, in promoting, and in strengthening the great trade communications of the Empire.





**B.—REPRESENTATIVE PEERS,  
LEGISLATORS, AND ADMINISTRATORS.**





## **A CASE FOR INDIVIDUALISTIC METHODS**

**BY**

**VISCOUNT BRYCE**

LET me say that the three questions you put are both very interesting and highly important, but it would take more time than I can spare at this moment to answer each of them in a way profitable to your readers.

All I can say is, at this moment, that such a case as can be made out for Government supersession of individual commercial effort seems to be strongest when it can be proved either (a) that Government control is indispensable to overcome systematic efforts, supported by a foreign Government, against British commerce ; or (b) that Government control is the only alternative to the control of an industry or source of production by a monopolistic combination.

On the general issue it seems to me that the burden of proving that Government intervention is necessary, rests upon those who advocate such intervention. In other words, the *prima facie* presumption is in favour of individualistic methods by which British trade has hitherto prospered.

What the conditions will be after the war no one can predict.

## **The Danger of Democratic Government**

### **THE DANGER OF DEMOCRATIC GOVERNMENT**

BY

LORD PARMOOR

I REGRET excessive State control, not only as an industrial misfortune, but likely to lead to the introduction of a corrupt factor into our public life. This is one of the great dangers of Democratic Government, and there is already an uneasy suspicion of its increasing influence.

**SIR GRAHAM JOHN BOWER, K.C.M.G., J.P.**

## **WAR, PEACE, AND CONTROL**

BY

**SIR GRAHAM JOHN BOWER**

THE war has converted our industrial and commercial organization from a system of individual initiative and enterprise into a system of State control, or collectivism. The conditions of war made this inevitable. For when the whole manhood of Europe had been mobilized for war purposes--when 24,000,000 men were engaged in fighting--the remainder of the population became a gigantic Army Service Corps engaged in producing and forwarding supplies for the fighting forces. Incidentally this gigantic supply service had to be fed, clothed, and housed, and this has been accomplished by pledging the credit of the nation for the maintenance of the fighting forces and for the payment and subsistence of the civil section of the nation which has become an auxiliary service of the fighting forces. The German system and the German ideal of the "Nation in Arms" has been adopted in the British Empire. Men, women, and children have been mobilized for war, and have cheerfully submitted themselves to obligations and restraints which would be intolerable in time of peace. The interests of the individual, the interests of personal liberty, of freedom of opinion or speech, the freedom of the Press, have all been subordinated to military necessities and to military authority. The war has Germanized England. Moreover, the invariable lesson of all history has been repeated. Whenever a despotism has obtained the control of the resources of a free people, then *for a time* the power of the concentrated efforts of the nation surpasses the efforts of the nations educated and trained

## War, Peace, and Control

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in conditions of mental and political and individual subjection.

Our output of war material of all sorts, our transport system, our food supply, has been far more efficient than that of the Germans. Even our army, an army recruited from men who have inherited the traditions of freedom, is man for man superior to the perfectly trained and disciplined German soldiers.

That there has been waste in efficiency and mismanagement is merely to say that State control has produced its natural fruits. The story of Loch Doon, the melancholy reports of the Auditor-General on lost millions, are merely typical of the system wherever it has been adopted, and, though we do not know the full story of German blunders, we may assume that the military blunders have been reproduced in civil matters.

The question put to me is whether such a system should be continued in time of peace, and that is a question which must be contemplated from three separate standpoints—the moral, the political, and the economic.

From the moral point of view there can hardly be any discussion. We are fighting for the privileges that have done so much to build up the Anglo-Saxon character. It is a war of personal freedom against State despotism.

An organized and disciplined nation hates collectively, and is jealous collectively of, foreign competition. Industrial or commercial rivalries become national, not personal. The fight for markets is no longer the competition of persons or companies—it is an affair of State, to be fought out by the State with all the diplomatic and military forces of the State. There is a strange belief abroad that the nationalization of industry will tell for peace. Nothing could be more false. A nation organized for war and industry will and must fight for the necessary markets for its products. For the aim of the collectivist nation is monopoly. A monopolist State fights for monopoly, and the German peace on the Eastern frontier has as its first aims the monopoly of Russian, Polish, and Roumanian products.

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We see, then, that collectivism weakens personal responsibility and personal morality. It is a cause of war, not an influence for peace.

There remains the economic point of view, and this has been obscured by the fact that war has made the British Government the most reckless spendthrift in the world. The credit built up by centuries of industry, of financial rectitude, and commercial success, has been exploited and dissipated without thought for the morrow.

The railways are no longer run at a profit. The system of war bonuses has raised the cost of all the services of production, distribution, and exchange. Owing to war conditions, that is to say, owing to the existence of a buyer who spends or purchases regardless of price, it is possible to show profits, and even excess profits in certain industries. But these are false profits. Britain exists and lives by exporting to the markets of the world, and the price in the world's market is a competition price, not a State price—not the price given by a spendthrift State recklessly squandering borrowed money.

To meet competition in the world's market production must be cheap and efficient. Cheap production or efficient production are impossible under any system of State control. Nor can either be secured by any change in organization. State control is Parliamentary control. For all governments and all departments must be responsible to Parliament. This means that the Department or Minister looks not to efficiency, but to the reply to a question or a speech in the House of Commons to-morrow afternoon. It is not a question of what is best or what is right, but of what the Labour Party or the Tariff Reform Party or the Radical Party or the Home Rule Party will say if they should hear of it.

The reports of the Select Committee on National Expenditure teem with costly examples of departmental incompetence and Government inefficiency, and are well worthy of perusal. But a single illustration will suffice to show the working of amateur officialism desirous of advertisement. From the commencement of the war

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there was an outcry in favour of utilizing the land for an increased output of corn. The persons who raised that cry were almost certainly ignorant of the history of British agriculture. But it can be told in a few words. The early part of the eighteenth century was the golden age of the yeoman farmer; that is of the smallholder who owned the land he worked. This man was a market gardener, a dairy farmer, a fruit farmer; he grew vegetables and fruit, and produced milk, butter, eggs, and pork, but he could not grow corn, nor could he keep sheep. Corn can only be grown at a profit on a large area with the most up-to-date machinery. The larger the area and the better the machinery the cheaper the production. Corn-growing in the nature of things is the monopoly of the capitalist farmer, and the smallholder, if he touches the plough, is a ruined man. It is unnecessary, perhaps, to add that sheep require space, and that sheep which graze down weeds, and are movable manure factories, are also the larger farmer's monopoly.

In 1761 the price of corn was 26s. 9d. per quarter; in 1801 it had risen to 119s. 6d.—the effect was to extinguish the small yeoman and to force the "engrossing" of farms. The agricultural population fell.

But under Free Trade conditions corn became cheap. The articles that would bear carriage, such as corn, frozen meat, etc., were imported from the Colonies, and the articles such as milk, fresh eggs, fresh butter, fresh vegetables, strawberries, and all sorts of fruit, were grown at home. These were the small man's products. The market gardener and the dairy farmer came into their own once more, and the last census of 1911 showed an increase in the rural population of 9·8 per cent. in the intercensal period. Economic conditions had produced a change in economic production—which it may be said was greatly helped by the increase of the town population, for the growing towns furnished an excellent market for fresh produce.

Such was the condition when war broke out and our corn supply was threatened. There was something very

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like a panic, and the politicians and the Press clamoured for a reversal of policy and the ploughing up of arable land. The farmers needed no additional incentive. The high price of corn was a sufficient inducement, but they knew what land would grow corn and what would not. The farmers knew their own farms, the officials did not. Orders were issued to plough up land, and a specified acreage was to be ploughed in each county, whether the farmer wished it or not, whether the land was suitable or not.

But the Government is itself a large landowner, and was laudably desirous of practising what it preached. Possibly the hope of a favourable paragraph in the Press may have added impetus to the duty of leadership.

The result is told by the Select Committee on National Expenditure as follows :—

“Seventy-five acres of grassland were ploughed up in Richmond Park and sown with oats. They produced a crop of 79 quarters, or about one quarter to the acre. The cost, including seed, and allowing one-tenth cost of fencing, and one-twentieth cost of reaping machine, was £744 os. 1d., and the value of the oats and straw £247 5s., a net loss of £496 15s. No rent has, however, been charged, but allowing £1 an acre, this would increase the loss to £571 15s.”

“In Bushey Park 79 acres were ploughed and 270 quarters of oats produced, or about  $3\frac{1}{2}$  quarters to the acre: including the cost of the seed there was a net loss of £11. With rent at £1 an acre the net loss was £90.”

So much for the political excursion into agriculture. Fortunately the politicians had the Treasury to pay for their blunders, but the unfortunate farmers who were suffering from the Government control of agriculture had no such resource. Some barely got their seed back, and had to bear the loss themselves. A further item in the account is that the flocks of sheep have diminished, and are diminishing.

Now this example is typical, and conveys a lesson. If Great Britain and Ireland are to maintain a population



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of forty-five million, they can only do so as exporting countries. The price in the world's market cannot be influenced or controlled by Acts of Parliament, or newspaper articles, or platform speeches. It is a competitive price and can only be met by cheap production. The larger the capital employed—that is to say, the more perfect the machinery installed—the more efficient the management, the cheaper the raw or semi-manufactured material, the cheaper the production, and the *higher the wages the industry can pay*.

If England is to maintain her population and remain a solvent nation there must be increased production and cheaper production. The nation cannot afford the luxury of Government inefficiency, or newspaper or political control of production. The great need of the country after the war will be capital, and credit is included in the word capital. What sane man would risk his capital in an enterprise which is to be controlled by a Government department, and subject to the varying impulses or ignorant prejudices of a misinformed electorate flattered and deluded by platform politicians into the belief that clamour can replace or control economic laws?

Every industry will clamour for a subsidy at the cost of every other industry, and the complications, of which the bread subsidy is an example, will be multiplied.

Owing to the bread subsidy, bread is at the actual time of writing a little less than half the price of poultry food or pigs' food. The cottagers and smallholders were told to keep pigs and poultry. They have done so, and find that bread and potatoes are cheaper than the "tailings" usually used as feeding stuffs. The Government are alarmed at the increased consumption of bread! But they have no right to be surprised.

Colonial railway experience is rich with examples of the disastrous effects of politics on railway management, whilst the experiences of the war show the tragic consequences of departmental conflicts and departmental blundering. The old delusion that Government control of railways averted strikes has probably yielded to the

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irresistible evidence of facts. But a consequence of recent events has been the frequent repetition of the question : Why are the police and the railwaymen not under military discipline?—they are as much Government servants as the soldiers or the transport service. What is the answer? What will be the effect of Government control on Liberty?

These things all increase the cost of production, and if the industries of England are to pay the taxation imposed on them, to pay a living wage to employees, and at the same time compete in the world's markets, they must be freed from the costly and vexatious hindrances of Government control, and the injury to credit and liberty involved thereby.



## UNITY OF CONTROL

BY

SIR EDWARD CARSON

I HAVE heard it said that the Government will attempt to run businesses after the war. All I can say is, that if they do, this country is doomed. At the same time let me be perfectly candid. I can see certain things which, for a short time after the war, will necessarily have to be controlled, but let them be controlled by business men in the interest of business.

For instance, just to give an example, there will be a great scarcity of raw material all round. I think that between ourselves and the overseas Dominions and America, we can control a good deal of it—and in that respect, while I am not a strategist, I would like to see for a short time, while the shortage exists, a unity of control, because we are not going to let the Germans, after all they have done, come in and pursue their own methods of capturing our raw material, so that they may build up their businesses before we have been able to build up ours. Certainly not. In the same way, if I may say so, I hope that, as regards shipping, not a single ship will be built for a belligerent, or even for a neutral, until we have restored our whole shipping position as it was before the war.

In that sense, if it is properly managed by business men, you need not object to business control; but what I object to is that here and there you find a Bill brought in, or a proposition announced, isolated by itself, which seems to me like, if I may use a military expression, sniping at the business men. That you want to get rid of. We want a complete policy facing the facts

**The Rt. Hon. Sir Edward Carson, P.C., M.P.**

which have been brought about by the devastations of the war and the world's conditions, and to turn and use these facts, as business men would use them, to the resuscitation and resurrection of our commercial position, without having the slightest regard to the commercial position of those who have brought the world into a state of chaos. We have before us, believe me, the greatest business of reconstitution that has ever confronted the human race. Let us do it for ourselves, for our own Dominions, and our own people ; and, believe me, there is still among us grit, courage, and brains, sufficient to preserve our position in the world.



**MEASURES OF SECURITY FROM  
GOVERNMENT CONTROL**

BY

**SIR JOHN COCKBURN**

Now that the war appears to be at an end, the object of the majority of the people of the United Kingdom will be to free themselves so soon and so far as possible from the State regulation under which they have lived during the last four years. All classes loyally surrendered their freedom at the call of patriotism, but merchants, manufacturers, and farmers will hail the day when they are at liberty once more to manage their own affairs. The wage-earners will be glad to be allowed to spend the reward of their labour as they please, while even confirmed Socialists, who theoretically desire to extend indefinitely the sphere of State activity, have found themselves so hampered by State interference that they sigh for a breath of the once despised individualism. The recoil from excess of officialdom will for the moment tend to retard, rather than to reinforce, the advancing wave of State activity. But it cannot be denied that even before the war the State was assuming by general consent many functions which the previous generation regarded as altogether outside the province of public control. Of all controversies between politicians, none has been keener or more general than that waged over the boundary which should divide individual from State action; and it is not unlikely that this will become a line of demarcation between parties in the future. The difficulty of determining the issue is due to the fact that the *juste milieu* between the functions of individual and State is not a fixed but a moving point. The problem is dynamic, not static.

Looking to the past, the encroachment of the State can be clearly observed. Not very many years have elapsed since private enterprise was recognized even in warfare. Shipping documents still contain a reference to letters of marque and reprisals, but privateers nowadays, instead of being held in honour, meet their fate at the end of the yard-arm. In law, discretion as to continuing a prosecution lies not so much as formerly in the hands of the offended party. Personal disputes cannot now be settled, after the so-called manner of gentlemen, by an early meeting at Chalk Farm. It is only in Germany that the barbarous arbitrament of duelling still remains in fashion. Factory Acts, protection of the operatives from dangerous machinery and noxious influences, however justifiable, were when first introduced regarded as a questionable interference with the rights of the employer. The Englishman's house is no longer his castle when the sanitary inspector is at the door. A host of measures might be cited as witnesses to mark the advance of State activity. Under the term Municipalization, many functions which were previously performed by individuals or joint stock companies are now undertaken collectively.

In some of the Dominions, especially in Australia and New Zealand, the sphere of State activity is still more widely extended. With few exceptions the railways are State-owned, and are worked with the view of developing the resources of the land. Agricultural produce and materials such as manures required by farmers, are carried at exceptionally low rates. It is customary to fix a lower scale of freights for home-grown than for foreign produce. To do the reverse, as was the practice in England, would be regarded as monstrous. Mr. Hughes recently purchased a fleet of ships on behalf of the Commonwealth. Governments in Australia are regarded as directors of a vast undertaking, in which every individual is a shareholder. Apart from federal stipulations, they operate as it were under undefined and therefore unlimited articles of association, and feel themselves called upon to do whatever is necessary for the

## Security from Government Control

welfare of the community. So far as the limit of State interference is concerned, there is a general consensus of opinion among reasonable men that the State is trespassing on dangerous ground when it undertakes operations other than those which are of the nature of monopolies.

The process of devolution from the State Socialism in which we are now living must of necessity be gradual, and in some respects the *status quo ante bellum* in respect of Industry and Commerce will never be resumed.

The inroads made by Germany during the era of *laissez faire* have convinced all but hopeless bigots that the vital functions of the community should not be left to the caprice of individuals. The control of our crude metals must be maintained. Staple industries must not be permitted to languish under unfair foreign competitions. Before the war many astute business men predicted that the Government would within a few decades acquire the railways by purchase; but it is not likely that so grave a responsibility will be undertaken for many years to come. Supervision during readjustment will, however, be necessary, and the Government can assist in the standardization of railway stocks. It is to be hoped that such State control will be maintained as will prevent the recurrence of the iniquity of produce being carried from continental centres at lower rates than are charged for similar goods from the English railway stations, through which these imports pass on their way to the markets of the metropolis. Agriculture should not only be saved from such deliberate slaughter, but should be actively encouraged. Experience elsewhere has proved that customs duties imposed on articles which can be produced within a country do not necessarily increase their cost to the consumer. If public opinion will not permit import duties to be placed on food, other measures of protection by means of subsidy will be necessary. The danger of starvation, happily averted by our grand Fleet, must never again be incurred. Public granaries to ensure several months'

## **Hon. Mr John Coskburn, K.C.M.G.**

supply of wheat should be erected. Never again will the exploitation of the Homeland by German penetration be permitted. Many have advocated the prohibition of trade with Germany. This, however, is not a business proposition, and is practically impossible; a complete boycott is a condition of war, and cannot be included in terms of peace. The requirement is to take such precautions as will ensure that any trade transacted with Germany is an advantage to us, and not, as formerly, a means of building up the enemy.

Rich and varied are the resources which have been developed under a systemless *laissez faire* régime, but what can these avail if a lack of co-ordination and protection exposes the highest product of civilization to the danger of destruction by lower organisms, whose activities, though restricted, are bent into conformity with the essentials of national existence. For example, it cannot be denied that conscription takes a youth away from production; but who in the light of recent events will say that, until an efficient League of Nations is got into working order, the military training of every man is not necessary for the maintenance of our national life? In view of the continual extension of the area of State interference, it is idle to attempt to mark a limit. The decision in each case must be made on its merits after carefully weighing the relative advantages and drawbacks of each step. In this task the co-operation of women in public affairs will be of incalculable value. They are not so apt, as are men, to disport themselves in the realm of the abstract, and can be trusted to take a common-sense view without being misled by fallacious theories.

In the work of reconstruction the long-delayed customs preference to the colonies will be granted. This will necessitate a complete revision of the tariff, which while being framed to safeguard vital industries may, now that the idol of Free Trade has fallen, be turned to the advantage of our industries in general. A mark of origin should be established to distinguish goods produced within the Empire as a guide to purchasers.



## **Security from Government Control**

France has already adopted such a mark as a safeguard against German devices, and Congress in the United States is taking a similar precaution. In the common interests of the Allies the registration of a British mark should not be longer delayed.

All processes of evolution are effected by the interaction of forces that make for difference and agreement. State control ensures co-ordination, but tends to cramp and confuse individual initiative. It has a deadening influence if the standardization which it involves takes place before a suitable model is devised. A society sustained by voluntary effort is on a higher plane than that which rests on compulsion by the State. But until we reach the ideal of a State whose service is perfect freedom, it is essential that such restrictions should be imposed as will prevent any business being transacted in a manner detrimental to the best interests of the community. So far as is compatible with individual and national safety, it will be well to leave the field of activity free to be cultivated by the inherent genius of the race. But it should be ever borne in mind that Individualism and Collectivism are not in themselves ends. Their relative adjustment must always be governed by the sound old maxim—

*Salus Populi Suprema Est Lex.*

## **IMPERIAL COMMERCE AND CONTROL**

**BY**

**HON. F. M. B. FISHER**

I AM asked whether the system of State control with which the war has made us so familiar, should be continued, and if not, what in my view is the worst feature of the system.

One is bound to see the reasonableness of some form of control having been necessary at a time when, owing to the war, tonnage was diverted from its normal use for the purpose of military requirements. It was not reasonable to suppose that the Government would be fortunate enough to secure the services of heaven-born controllers, who, without warning, had thrust upon them enormous powers with which to meet unprecedented difficulties.

I think I am right in saying that there has been no section of the community in all Great Britain which has been more loyal to the Government during this trying period than the traders, whose businesses have been so much interfered with.

But the question is, whether control may not now with safety and advantage be abandoned, or whether it is necessary to continue it for some indefinite period?

It is certainly the view of the Labour Party that control should be continued indefinitely where the necessities of life are concerned. I may at once express my dissent from this point of view.

With the signing of the armistice the available tonnage controlled by Great Britain increased at least 30 per cent., owing to the cessation of submarine war-

## **Imperial Commerce and Control**

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fare and the freedom of our mercantile marine to sail direct courses without the previous delays.

To my mind the questions of industrial unrest and State control are very closely allied at the present moment. The removal of control would have the immediate effect of considerably reducing the cost of living. Control has so restricted trade up to the present that buyers have been afraid to make any forward commitments, owing to the dread insecurity of the control of prices at this end, and they have largely failed to complete important transactions owing to the uncertainty of securing import licences.

If the Government is to avoid industrial unrest, it can only do so by reducing the cost of living and by finding employment for the demobilized armies and munition workers in this country. Instead of assisting in attaining this end, control will most assuredly have the opposite tendency.

Let it be supposed that Great Britain is to remain the only one of the Allied countries in which imports are to be controlled by licence and the prices fixed by some internal authority. The inevitable consequence would be that much of the trade which in pre-war days was handled by British merchants and banking houses will pass into the hands of those countries which are free to transact business on the old lines.

The suggested nationalization of industries would not, in my opinion, contribute in the slightest degree to a betterment of these conditions. The material feature, which must not be lost sight of, is that the system of licences and control of prices destroys all enterprise and initiative, and the principle of the nationalization of industries is certain to produce equally disastrous results.

It has become perfectly clear, as a result of experience of control during the war, that where trade is entirely dependent for its source of action upon the sanction of one department, without whose authority it cannot act, that department in itself becomes supremely indifferent to the necessities of the situation. There is no desire upon the part of a Government official

to expedite business, and he unfortunately is in a position which allows him to take his own time in arriving at a decision.

If the reconstruction of the country is to be determined on any of the lines suggested, then the import and export trade of this country will suffer a most serious disaster.

The Imperial Commercial Association, representing as it does over eleven hundred of the principal business firms in Great Britain, does not endorse any form of State control of trade or industry. It is quite prepared to do all that lies in its power to develop trade upon those lines which offer to the business man complete freedom from the cumbrous control of State departments. It is equally anxious that some means should, if possible, be devised by which the raw materials produced within the British Empire shall be primarily placed at the disposal of British manufacturers. And it is opposed to the policy of foreign penetration, which added so much to our difficulties at the commencement of hostilities in 1914.

If it should be found practicable and advisable for any form of restriction to be placed upon the free export of raw materials from the Empire, it is suggested that a controlling authority should be set up, composed of business men who would have adequate power to deal with the situation.

Even an Imperial Control Board, set up in respect of each principal industry, would have the utmost difficulty in bringing about such effective control as would secure the supply of our own raw materials to our own people.

One may cite wool as an illustration of the difficulties that are likely to arise. Any attempt made by the British people to control the export of wool from Australia and New Zealand, in such a manner as to preclude any possibility of it reaching present enemy countries, would be beset with the greatest difficulty.

In the first place, it is certain that any form of control set up by the British Government, even though

## **Imperial Commerce and Control**

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it included representatives of the overseas dominions, could not in any way, exercise control over wool from the Argentine. It might thus be brought about that many of the great markets of the world would be open to the Argentine, whilst Australia and New Zealand might be bound to home markets, in which the demand, as well as the price, was not favourable.

If, on the other hand, it is agreed that in the interests of the overseas dominions they should have free permission to sell their raw material to neutral countries, then how impossible it becomes for any form of control to prevent the purchase of British raw material by the residents of an allied or neutral country, who might in turn sell their purchase to Germany or Austria.

There is still another feature which is disquieting, and that is, that almost any form of control implies the necessity for trade by licence.

One hesitates to express a complete knowledge of the evils attendant upon this system, but it is definitely known, and has been openly stated quite recently, that the issue of licences has been in some instances dependent upon transactions, the inner history of which would not bear investigation. In other words, the licensing system breeds fraud and deception, not only in the less scrupulous members of the mercantile classes, but in the Government departments themselves.

# **THE VIEWS OF CAPITAL**

## **REPRESENTATIVES OF TRADE, COMMERCE, INDUSTRY, BANKING, AND FINANCE**

### **A.—SHIPPING**

**THE PATH TO FINANCIAL AND COMMERCIAL DISASTER.**

**THE RIGHT HON. LORD INCHCAPE, G.C.M.G., K.C.S.I., K.C.I.E.**

**THE INTERNATIONAL COMPETITION PERIL.**

**SIR ALFRED BOOTH, BART. (Chairman of the Cunard Steamship Company).**

### **B.—SHIPBUILDING**

**CONTROL AS AN INDUSTRIAL PEACE MEASURE.**

**W. L. HICHENS (Chairman of Messrs. Cammell, Laird & Co., Ltd.).**

### **C.—ENGINEERING**

**VOLUNTARYIST CO-OPERATION.**

**SIR DUGALD CLERK, F.R.S., Hon. D.Sc., M.INST.C.E.**

**VIA MEDIA.**

**SIR ROBERT HADFIELD, BART., F.R.S., D.MET., D.Sc., M.INST.C.E.**

### **D.—MINING**

**THE CLAIM OF CONFIDENCE.**

**SIR HUGH BELL, BART., D.L., D.C.L., LL.D.**

### **E.—COTTON INDUSTRY**

**THE COTTON CONTROL BOARD.**

**SIR CHARLES MACARA, BART.**

## **F.—ALKALI INDUSTRY**

### **THE GOVERNMENT FAILURE IN INDUSTRIAL EXECUTIVE.**

**MAX MUSPRATT, J.P.** (Chairman of the United Alkali Co., Ltd.).

## **G.—PUBLISHING AND PRINTING TRADE**

### **WHITLEYISM AND SELF-GOVERNMENT FOR INDUSTRY.**

**ERNEST J. P. BENN** (Managing Director, Benn Bros., Ltd.; Chairman, Industrial Reconstruction Council).

### **THE PROS AND CONS OF STATE INDUSTRIAL REGULATION.**

**WALTER HAZELL, J.P.** (Chairman, Messrs. Hazell, Watson & Viney, Ltd.).

## **H.—BANKING**

### **BANKING ORGANIZATION FOR INDUSTRIAL CREDIT.**

**SIR HERBERT HAMLING** (Director and General Manager, London Provincial and South-Western Bank, Ltd.).

## **I.—FINANCE**

### **THE MENACE OF TAXATION.**

**B. H. BINDER** (of Messrs. Binder, Hamlyn & Co.).

### **THE NEED FOR A COLLECTIVIST STATE.**

**EMIL DAVIES** (Financial Editor, *New Statesman*).

### **THE EVIL OF INFLATION OF CREDIT.**

**T. J. CARLYLE GIFFORD, W.S.** (of Messrs. Baillie & Gifford; Author of *Inflation of Credit and a Tax on Capital*).

### **NEW ELEMENTS OF EFFICIENT CONTROL.**

**JOHN ZORN** (of the Stock Exchange).

## **J.—AGRICULTURE**

### **A NEW AGRICULTURAL POLICY OF CONTROL.**

**THE RIGHT HON. THE EARL OF SELBORNE, K.G., G.C.M.G.** (Chairman of the Agricultural Sub-Committee of the Reconstruction Committee).

### **PEACE, WAR AND AGRICULTURAL CONTROL.**

**ALEXANDER GODDARD, C.B.E.** (Secretary of the Surveyors' Institution; Honorary Secretary of the Agricultural Policy Sub-Committee).

### **STATE LEADERSHIP OF AGRICULTURE.**

**STANLEY M. BLIGH** (of Builth Wells, Brecon).

#### ***A.*—SHIPPING**





## **THE PATH TO FINANCIAL AND COMMERCIAL DISASTER**

BY

**LORD INCHCAPE**

1. LET me consider the financial position immediately after the war. This will serve to indicate some of the conditions of State control likely to prevail. In August 1914, our deadweight debt was about 650 millions. The Chancellor of the Exchequer estimated, if the war continued, that the National Debt in March next year would be 8,000 millions. He calculated that at March 31, 1919, the Allies might owe us 1,632 millions, of which he proposed for the time being to reckon only one-half as immediately recoverable. Adding to this the obligations towards this country of the Dominions and India's war contribution, he estimated that there would be 1,124 millions to be set off from the gross debt. This will leave the National Debt, if the war ends in March 1919, at about 7,000 millions, which may be reduced by about 1,000 millions from amounts due by our Allies and Dominions for goods and services, by arrears of excess profits duty which will be outstanding at March 1919, and other assets. We shall thus be left with a net public obligation in March next year, should the war continue till then, of probably 6,000 millions, on which interest will have to be paid. This, with a sinking fund, will require something approaching 330 millions a year. Our expenditure for administration and defence on a pre-war basis was 220 millions, and our post-war expenditure, including education, will be very much more; and to this must be added pensions for many years. With a National Debt in the neighbourhood of

## **Path to Financial and Commercial Disaster**

6,000 millions, it would not be safe to assume, if the war ends between now and March 1919, that our annual expenditure will for a long time be less than 700 millions—more than three times what it was before the war. The revenue then required will be something in the neighbourhood of 700 millions. In 1918-19 a revenue of 800 millions has been budgeted for, but this includes 300 millions from excess profits duty.

2. It is recognized in all quarters that the excess profits duty cannot continue after the war. It would kill all existing industry and effectually prevent the starting of any new enterprise. The Chancellor hopes that an extra 75 millions may come in during 1919-20, if the war is then finished, from income tax at 5s. in the £, when the excess profits duty is abolished, and that his new taxes will yield another 114 millions. A likely yield of 689 millions may just pull us through, but it will be a narrow squeak. Some say there is a large untapped reservoir in import duties. I will pass by that contentious subject with only a few remarks. Direct taxation has reached its limit. If it is further raised there is a great probability that the revenue from it will go down. In fact, it is not unlikely that the yield will decrease even at the present rate. Many people will have to draw upon their capital. The necessities of life are already highly taxed. Toys, it is true, might be taxed, but I would not trust much to the revenue from toys. A luxury tax is in contemplation, but I doubt if this will bring in much after the war. Unless raw material and food are taxed there is no great scope for revenue by taxing imports. If raw material is taxed, our great national industries will suffer in the world competition, our trade will dwindle, and the taxable income of the nation will diminish. The taxation of beer, spirits, and tobacco is now so high that further additions would probably decrease the revenue. Something might be got from wines, but it would amount to very little.

With our gigantic liabilities abroad, the position in which we shall find ourselves in the matter of foreign exchanges will for a time be serious. Our internal currency is now paper; we have in circulation no less than 260 millions sterling of currency notes, against which there is only a very small percentage of gold, the balance being secured on notes of hand of the Government. This looks an easy method of paying for the war; but the printing press helped to ruin Russia, and every other country which has adopted it with the object of tiding over financial straits has suffered severely. It means ever-depreciating currency and ever-rising prices. It will take years to redeem these notes and to get us back to the mainstay of our old international financial position—a real gold standard. We are living for the moment. I am afraid, in a fool's paradise, so far as the popular notion of prosperity is concerned. Paper money, which is legal tender, is abundant owing to the Government's disbursements; and there would appear to be a widespread belief that because we have been able to find so much for the war we can go on finding money for all sorts of schemes when the war is over. There is always a seeming prosperity when a country is borrowing and disbursing freely. We have seen it in the South American republics, we saw it in Australia some years ago, we saw it in this country during the South African War. The depression comes when the borrowing and disbursing cease. We have lost something approaching 8,000,000 tons of British shipping by enemy action during the war. Many of our international trades are now occupied by others; trades that poured a large revenue into this country, which, if recovered at all, will not be recovered for years. There may be a short boom in trade after peace has been restored, but with the enormous loss of material wealth, the great increase in the indebtedness of all the belligerents except one, and with the crushing taxation which will have to be imposed by all but one to meet the debt charges, it is difficult to see how there can be any lasting

## **Path to Financial and Commercial Disaster**

international prosperity for many years to come. There is nothing to be gained by having poor neighbours. When the war is over it may be an uncommonly difficult matter to raise the revenue required to meet the expenditure. We had a long time of severe depression after the short boom which occurred following the battle of Waterloo. Our National Debt then was less than one-sixth of what it will be next year, and our population is only a little more than double what it was in 1816.

3. As such is likely to be the immediate after-war financial position, it is not difficult to indicate what ought to be the policy of control. The war-time bureaucratic system of control has served to reveal some of the worst evils of the Government handling of public money. The report of the Select Committee on National Expenditure is sufficient to show that the financial matters of the country ought not to be left to Government departments, but placed in the hands of those individuals whose great business experience have fitted them to conduct such matters in the highest interests of the trade, commerce and industry of the country. What we have to consider is how to carry on the business of this country so as rapidly to increase our resources, financial and other. It must be clear to every one that we cannot carry on our business along the line of the prevailing bureaucratic system. This war-time system has led to the production of innumerable functionaries throughout the country, who, clothed in a little brief authority, delight in the exercise of their power. The forms which we have to fill up, the red tape we have to unravel, the overlapping of departments, and the circumlocution we have to contend with, the waste of time and tissue we have to endure, render the lives of business men almost unbearable. Over and over again we find that piles of papers required by a department, which have been fully furnished, have been sent in and have been irretrievably lost, and duplicates have to be supplied, and in some cases have to be procured from the other side of the

## **The Right Hon. Lord Incheape, G.C.M.G.**

globe. A bill for 13s. 9d. has to be signed by at least a half-dozen people before it can be paid, and legitimate claims are disputed, so that they are either abandoned or reduced to utter weariness in order to secure a settlement. If any of us were to attempt to carry on business with the armies employed in Government offices, and under the system of suspicion which prevails in many of them, we should speedily find not only that we could not pay our expenses, but that our credit and good name had gone, and no one would enter our doors.

It is entirely different when we turn to business methods, conducted by business men. What is it that maintains the reputation of every bank, and firm, and company of any standing in the City of London? It is the confidence that is felt in the spoken word. Transactions running into millions take place in the City every day on the nod of a head, without the scrape of a pen, and there is seldom—I might almost say never—a dispute between the parties concerned. If disputes arise, confidence goes, and business relations cease. The fact is, Government departments cannot conduct the ordinary business of the country, with all their hide-bound routine. We put up with these irritating inconveniences for the time being, although we often groan under the burden, realizing that in many instances things might have been better done had they been left to those who know by long experience how to do them. But what we want to prevent, and what the Imperial Commercial Association, of which I am president, has been formed to prevent, is the continuance of these functionaries after the war. We are fighting for the freedom of nations, and when we secure this we do not want to be faced with fetters on the individual. I have had considerable experience of permanent officials. I have had many friends among them. I have a great respect for their industry and ability, but we object to the country being ruled by permanent officials; they should be the servants, not the masters, of the public. In this I feel

## **Path to Financial and Commercial Disaster**

certain we have the support, not only of the employers, but of employed, and if we have the country behind us we shall have Parliament with us. But it is essential that we who are opposed to the kind of Government control which I have described, should keep the public well informed, and that we should marshal our forces; as those in public offices have the machinery, they can pull the strings, and unless we are careful we shall be overrun with placemen after the war. We shall be told how to conduct our business, liberty will be gone, our initiative and enterprise will be choked, and financial and commercial disaster will follow.

The conclusion is that bureaucracy will not help us to recover our pre-war freedom of life, that freedom for which we are fighting the Germans to-day. We don't want the business side of the country to be carried on by the Government. Every bureaucrat is a man taken away from the productive power of the country. Make no mistake—if any attempt is made by any Government to interfere with the liberties of the people, or to dragoon them after the German fashion, that Government will be ignominiously hurled from power. This country has made its way by individual effort and organization; it would be fatal to smother them.

**Sir Alfred Booth, Bart.**

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## **THE INTERNATIONAL COMPETITION PERIL**

**BY**

**SIR ALFRED BOOTH**

AT present the hands and feet of industry are tied up with State regulation and control. I want to see these bonds entirely removed before we are thrown again into the deep waters of international competition—as we shall be as soon as the war is over. We have not yet forgotten how to swim if we are given the chance. The policy of the Government apparently is to cut the bonds only very gradually and one at a time while we are struggling in the water. I am afraid this means that both the Government and Industry will be drowned.





***B* —SHIPBUILDING**



## **CONTROL AS AN INDUSTRIAL PEACE MEASURE**

BY

**W. L. HICHENS**

1. **ENGLISHMEN** differ about most things, but they are probably all united in a dislike of control. They regard it as a disagreeable necessity for which the war is responsible, and submit to it with many grumbles yet great loyalty, as is their wont. But the first condition of their loyalty is that control shall cease at the earliest possible moment. It is commonly supposed that the great army of Government officials which has necessarily sprung into being since the war, finding its existence threatened by the disappearance of control, will fight hard to maintain the principle long after the need for it has gone. But so strong is the feeling against it that there is more risk of control being swept away prematurely than of its attaining to an unlovely old age. For control being regarded as a war measure many people think that it ought to cease with the war. And yet this is clearly impossible, since the immediate cause of control is, not the war, but shortage of labour and material, which, although due to the war, will unfortunately outlast it. In fact, some measure of control will clearly be necessary until there is a close correspondence between the supply of and the demand for the necessities of life. So long as there is a real shortage of food, for example, its distribution must be regulated in peace times just as much as in war. So long as there is a shortage of ships their use must be controlled, and articles of prime necessity must be transported in preference to luxuries, however dazzling the freight rates on these latter may be. If the bonds of control were suddenly broken and an unrestricted

## **Control as an Industrial Peace Measure**

scramble were to ensue, the results would be disastrous. The coils must be unwound gradually, and the pace at which this can be done must depend on the rapidity with which a return is made to normal conditions.

2. But will the bonds of control ever be wholly relaxed, and shall we ever regain the liberty of pre-war days? My own answer to this question would be—I think not, and I hope not. A certain measure of control exceeding that of pre-war times (though far below that at present in force) seems to me a necessary condition of industrial peace. I have no use for State trading, and regard the development of that policy, which the war has encouraged, as a step in the wrong direction. Trading and ruling are totally different things, and should not be confounded in one and the same body, or both will be muddled. Let the traders trade and the rulers rule them, for if the rulers begin to trade—"quis custodiet ipsos custodes"? And there is plenty for these latter to do if they stick to their own last, for the congestion of business in Parliament is a commonplace and threatens us even with a return to the Heptarchy.

The function of the State in relation to industry is to determine the conditions under which industries shall be carried on, and herein, I submit, it has in the past lamentably failed, for if it had laid down those conditions wisely and seen that they were carried out, we should not be faced now with the spectre of industrial unrest. It is not really a wise policy to trust to luck or to the higgling of the market, or to the law of the survival of the fittest; it cannot surely be a just policy to allow that might is right and that industrial problems must be determined by a fight between the organized forces of labour and capital. And yet this is the policy which is at the back of strikes and lock-outs and which makes a fetish of *laissez-faire*.

It is in this respect, I believe, that greater State control will be found necessary after the war, for the chief function of the State should be to secure that no section of the community gains an undue advantage over

the others, that capital does not pillage labour, nor labour capital.

3. This leads naturally to your third question—What is the best after-the-war policy to be pursued to further the highest interests in trade, commerce, and industry?

Undoubtedly the highest interest of industry is that the conditions under which it is carried on should be recognized by all as being fair. To-day they are not so regarded by the workers, who consider that the dice are loaded against them, and that the capitalists reap too large a reward, whilst their own recompense is inadequate. If an industrial policy can be devised which will be accepted by both sides as one to which they can cheerfully subscribe, we shall be able to regard the future with confidence. Tariffs, the doctrine of economic nationalism, the protection of pivotal industries, the control of the supply of raw materials, in fact, all problems of international economics, are matters of the greatest concern, and I would like to add parenthetically that there seems to be a real danger lest they should be regarded from a too exclusively national point of view, instead of from a broad international standpoint, which alone will furnish an enduring basis for settlement. But, important though these problems are, a solution of our internal industrial problems is of even greater urgency. What is needed first and foremost is a broad programme of social reform embodying housing, unemployment, hours of labour, education, the mode of settling wages and other industrial disputes, the control of profits. And at the outset the place of industry in our national life needs careful definition. Is it to be regarded primarily from the point of view of those engaged upon it? Or should it rather in the future be held to have more in common with the army or the navy or the civil service, the primary function of which is to fulfil some need of the community as a whole? This is not merely an academic question, for the nature of the practical programme of industrial reconstruction that is adopted will be largely conditioned by the answer that we give to it.



## **C.—ENGINEERING**





## **VOLUNTARYIST CO-OPERATION**

BY

**SIR DUGALD CLERK**

IN my view Britain has attained her present highly successful and stable position by free and individual action. Some State control is necessary, but Britain's history has shown that the less State control we have the better.

My views on these matters are stated in three addresses which I have given in the last year or two: "English and German Methods Contrasted," "The Stability of Great Britain," and "Discovery and Invention."

If we consider upon what the stability of the British Empire rests, we shall see the undesirability of excessive State control. The stability of the British Empire is dynamic; it is a stability of living form maintained alive by incessant change. Our stability is maintained by the perpetual adjustment of our lives to new conditions as they arise, and from the continuous struggle of individual interests there emerge certain interests recognized to be common to the whole body. The first common interest is freedom: freedom to order one's life at one's pleasure, to follow any course thought to produce a sufficient livelihood, and then to cultivate our interest in science, art, literature, or sport—whatever we conceive to be necessary for our happiness—without Governmental hindrance; liberty limited only where it would inconvenience our neighbours.

So it happens that within the Empire many diverse courses are energetically pursued by individuals, and by our great dominions, colonies, and protectorates over the

seas. The ideal of Australia is different from that of Canada ; New Zealand differs from both, and also from Great Britain and Ireland.

But if such individualistic factors exclude excessive State control, they invite a very large measure of voluntary control. It is necessary that we should, as a nation, recognize more fully the importance of co-operation and co-ordination in both abstract and applied science. We are intense individualists, and our great success in the world is largely due to that quality ; it has, however, its drawbacks, and we have arrived at a stage of development in both science and industry where united effort would aid us rapidly to improve our scientific and industrial position. I accordingly welcome the movements of Co-ordination of Scientific Societies originated by the Royal Society, and the establishment of the Privy Council Committee for industrial and scientific research by the Government. Great technical and industrial progress will result from the joint action of those bodies with groups of the great industries on which our comfort and security depend.

The joint work of the Advisory Committee for Aeronautics, the National Physical Laboratory, and the Royal Aircraft Factory, for years past is proved to be eminently successful by the dominant position of our aeroplanes at the Front. Without this joint action it would have been impossible for us now to maintain our leading position, and it would be well for us to place work of this kind on a sound financial basis.

Although most of our scientific and industrial progress has been achieved by individual concentration, yet there are many problems of the utmost importance to the nation and the Empire, which can only be solved by national effort. I view, therefore, with much pleasure the growing appreciation of science and industry shown in this time of war by H.M. the King and the members of our Government. Professor Unwin, in a recent able and stimulating address, quotes the well-known remark of Bagehot, made many years ago : " We English are

always grumbling at ourselves. But, after all, England is a success in the world; her career has had many faults, but it has been a fine and winning career on the whole."

It might be thought that government resting on individual freedom such as England has hitherto enjoyed, and as it must continue to enjoy, makes for weakness. But the reverse is the case, as we may see by comparing England and German methods. German reasoning is very curious. They thought that a nation with so small an army had no right to exercise dominion over one-fifth of the world. They felt strongly that right could only exist when accompanied by huge physical power in the shape of a great military system. The freedom of our colonies and our dependencies was entirely misunderstood by them. They felt that all were longing to liberate themselves from the British yoke. They thought that at the first breath of war Australia, Canada, New Zealand, and South Africa would rebel, and that India would rise against our small army and annihilate it. They failed to understand that the freedom of the governed formed an essential part of the British method of ruling. In these islands, in her colonies and in her dependencies, government was so arranged by England as to reduce interference with the liberties of the people to the absolute minimum. Governing was always arranged as part of the English system in the interests of the governed. The portion of the world ruled from England experienced prosperity such as had never been known before. Accordingly, when the great war broke upon us, Germans were astounded to find that from all the world over help in men, money and munitions were at once lavishly forthcoming.

The whole German nation is moulded upon the military idea of power and the rights of nations determined by power alone. It is a simple-minded and foolish idea, which entirely misses the unknown occurrences and forces easily discovered by deductive methods. It gives an apparent simplicity and order to real disorder. Life is infinitely complex, and the

## **Voluntaryist Co-operation**

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human intellect is too feeble to grasp all life in one simple ordered sequence. Germans attempted this and failed. The English realize the truth.

England is not unpractical. She is the most practical nation in the world. She is not formally logical, but she is idealistic, her ideal being that of freedom for her sons and for the whole world of nations, small and large alike.

**Sir Robert Hadfield, Bart., F.R.S., D.Met.**

## **VIA MEDIA**

**BY**

**SIR ROBERT HADFIELD**

IN a general way it seems to me that the war has shown that individualistic control has been found wanting. State aid can apparently do more than is possible by the individual. I doubt whether it would ever have been found possible to reach the enormous output of munitions under private enterprise alone. With the State aid, however, anything appears possible, or at any rate much is possible which otherwise would not be so. The State can command capital in a manner which the individual cannot. It may be that the problem will be solved by the State finding capital under proper conditions, and leaving the individual to work out the application of capital to industry, but that would, I suppose, leave the Labour difficulty where it now is.



## ***D.*—MINING**





**Sir Hugh Bell, Bt., D.L., D.C.L., LL.D.**

## **THE CLAIM OF CONFIDENCE**

**BY**

**SIR HUGH BELL.<sup>1</sup>**

IN the course of the war we have been forced to abandon many of our most cherished rights. Our boast of personal freedom is a thing of the past. Our liberty of action, unhampered by police or other authority, we surrendered (not without reluctance) because of the urgency of our need.

We have allowed persons more or less fitted for the work to prescribe to us what we should eat and drink, buy and sell, wear or abstain from wearing. Our dealings with our neighbours at home or abroad have been controlled and supervised in a way which, five years ago, we should have thought incredible. One of the first matters to occupy our attention when peace returns is to regain these lost liberties. It strikes me that these years of bureaucratic rule have greatly lessened any belief we had in centralized government, and have confirmed us in the opinion that we can manage our own affairs better than any government can manage them for us. It has been well observed that, when you get to the very source of government action, you find it is a clerk in an office in Whitehall, who is no more competent than yourself to form a judgment and whose only interest is to get through his day's work with as

<sup>1</sup> This reply has been drawn, with the approval of Sir Hugh Bell, from an address recently delivered by him to the Gateshead Branch of the Independent Labour Party. With the exception of certain connecting clauses, the passages are substantially in the form in which they were delivered.

## **The Claim of Confiance**

little trouble to himself as may be. He is no better or worse than you or I, but our affairs do interest us enormously and we take a great deal of trouble to deal with them intelligently—while to him we are just the subject matter of a "jacket," which must be disposed of somehow before he goes to his tea.

As to the policy of control, that, like the political constitution of any country, is what those in control like to make it. It may be a military monarchy which drills its subjects into docile machines, and, repressing all public opinion, leads them out to slay and be slain for whatever cause it pleases the monarch and his advisers to espouse. It may be a grinding despotism tempered (if at all) by assassination—or a democracy in which the consent of the people is the foundation of the government, or a demagogy where the mob orator of the moment sways the passionate, and not the judgment of the masses. It may be these things by turns and, with each change, those concerned may cry, "Now, at last, we are free!"

Again, one must be very careful in using the term "State Control," for when we come to think of it, the State is only an abstraction. It is indeed well to insist on the fact that the thing we call the State has no existence outside ourselves. It is our creation, it draws its powers from us, and its means of giving effect to its wishes come from the same source.

In my own belief, control should be largely a matter of confidence and mutual accommodation. This assumes the need for the largest political and personal freedom compatible with our being members of a community which demands the surrender of certain parts of our freedom. On the limits of such surrender wide divergences will be found to exist. I personally place very high the claims of the State, by which I mean the consensus of opinion of the community in which I live. I am willing to accept as due from me almost any claim which, after due discussion, the community in which I live sees fit to make. If the demands made on the individual are intolerable, he has two possible

**Sir Hugh Bell, Bart., D.L., D.C.L., LL.D.**

remedies. He can go elsewhere and seek some place where the freedom he demands will be found. This remedy has often been sought by persons holding views similar to those I am endeavouring to express. Oddly enough, it has not infrequently happened that, in the country of their choice, they have erred in the same way as those from whose tyranny they have escaped. For example, some of those who left England for America in the seventeenth century that they might hold their religious beliefs without interference, speedily sought to impose on their fellows the same sort of laws as those from which they had fled.

The second remedy is to rebel and take the consequences. This is a process more common than some are aware. One reason for this is that the consequences in these latter days are less serious than was once the case. The "passive resisters" of some years ago were rebels—of a sort. To my mind they had totally failed to grasp the meaning of democratic government. After due discussion Parliament had decided to conduct the education of the people in a certain way. No compulsion was put on those people to have their children educated in a particular fashion, with the merits of which I am not at present concerned, but others were permitted to enjoy State help to educate their families in the way they chose. To resist that law was, in my opinion, unjustifiable.

To come nearer to the present time, I feel that the treatment of the conscientious objector to military service is a blot on our civilization in this country. Had Parliament imposed conscription on the whole community I should have found no great fault, though I would have felt that certain persons, whose conscientious scruples had long been respected, had been placed in false positions. But when Parliament, suddenly abandoning voluntary military service and imposing conscription, explicitly legislated for tender consciences and the remedy provided by the Statute was rendered of little avail by the methods of administration, I think true democratic principles were violated.

## **The Claim of Confidence**

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But though I think control should be bound up in confidence and mutual accommodation, this does not mean that I am in favour of "popular administration and control." My experience is that the driving power of a single mind—or at most of a very small group of minds—is essential to success. May I not claim that our recent experience in France is a proof of this? Great and striking results have followed the unified command under Marshal Foch. But it is not necessary to pursue this question.

Nor am I favourably disposed towards certain collectivist proposals. For instance, there is a proposal to control capital collectively. I gravely doubt whether from such collective ownership and use we should get the best results to the community. Since the outbreak of the war we have had some experience of State management, which is collective management on the largest scale. I do not think the result is encouraging. Again, the spur of personal interest would be lacking. Doubtful enterprises would not be undertaken when failure involved, not only, as at present, loss of the capital engaged, but also the blame which would attach to the public servant who had brought about the disaster. It lies with those in whom the control of capital now rests to determine how it shall be used. It is often their duty, not to themselves only, but to the community, to put it at risk even when loss is not unlikely. I could give you several instances in which, at this very moment, I personally and those co-operating with me are entering on enterprises which may, or may not, prove successful. If I were the Minister in charge of a Department I would not feel justified in taking this risk. Success would bring me little or no advantage either in money or fame, failure might go far to ruin my career. I adventure my own money hoping for success, but prepared for the loss of my own funds and those of other co-adventurers who are willing, in full knowledge of the risk, to join me. But I should not dare to put money of which I am trustee into any one of them.

**Sir Hugh Bell, Bart., D.L., D.C.L., LL.D.**

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There is much to be said against the accumulation of wealth in a few hands. I should not be sorry to see this tendency lessened, but I deprecate any legislative endeavours in that direction, fearing lest they should do more harm than good.

In conclusion, let me say that to obtain a solution of the many difficult problems, including Control, with which those who live to see peace established will have to deal, will demand the most patient and forbearing study. Those who will represent Labour and those who will represent Capital, Enterprise, and Direction, must find means of acting together. We cannot, I am convinced, eliminate Capital, Enterprise, or Direction, if we are to maintain our position in the world. We must afford them all suitable reward. If we can combine them all three and make them either one with Labour, or the cherished co-partners of Labour, we shall have placed ourselves in the best position to find the solution the lack of which may land our country in circumstances not differing from those from which we see Russia suffering to-day. In my life I have seen many difficult political situations and have often felt alarm as to the future. I have been consoled by reminding myself of the deep trust I place in the sound common-sense of the mass of my fellow-countrymen. The inhabitants of these islands—certainly those who inhabit the parts I know best—have a remarkable political instinct, which for several centuries has carried them through crises of the most alarming kind. None has equalled that in which we now find ourselves, when our economic, political, and social views are being put to the sternest test. It is because I believe we shall emerge triumphant from this severest and greatest trial that I look without undue alarm to the future.

But we must take counsel together. Not to Government or any outside powers must we look for help. Labour and capital, trade, commerce, and industry must find their own salvation. Human interests, rightly understood, are, I believe, the same. It is not by squabbling over them that human beings make the best use of their

### **The Claim of Confidence**

powers, but by seeking to reconcile them where they appear divergent and strengthening them where they are (as is mostly the case) identical. In this we may, as Shakespeare says, "Gather honey from the weeds and make a moral of the devil himself."

## ***E.*—COTTON INDUSTRY**





**Sir Charles Macara, Bart.**

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## **THE COTTON CONTROL BOARD**

BY

**SIR CHARLES MACARA**

GENERALLY speaking, the smaller the extent of State intervention, so far as our industries are concerned, the better. There are circumstances, however, in which it is both valuable and essential. This has been demonstrated in a remarkable manner by the success of the Cotton Control Board established about a year ago by the Government, owing to the seriousness of the position in the cotton industry. On this Board the Government co-operates with the representatives of all classes—employers and workers alike engaged in the industry. Sir Albert Stanley declared, when the Board was established, that none but those who had made the cotton industry a lifelong study could be expected satisfactorily to deal with it; and the Cotton Control Board has, by its management of the most important of our manufacturing industries, not only earned unstinted praise from those engaged in the industry, but has without doubt saved the industry itself from disaster.

Prior to the establishment of this Board there were always some outside the influence of the majority of those engaged in the industry whom neither persuasion nor argument could reach, but the force of Governmental authority behind the decisions arrived at by the Board has made those decisions binding on the whole industry.

This is no new policy, for the Industrial Council, composed of an equal number of representatives of Capital and Labour, which I persuaded the Government to establish in 1911, urged in its report, after a lengthy

## **The Cotton Control Board**

inquiry into industrial agreements, that when a three-fourths majority of those engaged in any industry decided upon a course of action, that decision should be binding on the whole industry.

This example of Governmental co-operation in the management of one industry might well be applied, where necessary, to other industries, for I am convinced that weakness in their control frequently arises from causes similar to those met with in the cotton industry.

I strongly advise, when the war is over, the retention of the Cotton Control Board as a supreme Council, to which could be referred all those questions which must be dealt with by the industry as a whole. The splendid work of the Board up to the present is simply an earnest of what may be expected of it in the future.

The future of this country must not be left to the care of the professional politician; the business man must take his place in the organization of the nation's enterprises on a national basis. The best brains in the business world must be made use of, for I am convinced that the business man can carry the nation onward to undreamt-of prosperity.

***F.*—ALKALI INDUSTRY**



**Max Muspratt, J.P.**

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## **THE GOVERNMENT FAILURE IN INDUSTRIAL EXECUTIVE**

BY

**MAX MUSPRATT**

I AM too heavily engaged to do more than answer your three questions very briefly as follows:—

1 and 2. Control has been an unmixt if necessary evil for industry on the executive and detailed side; on the advisory and supervisory side it has been fairly successful.

Immediately after the war certain essential industries may have to remain under general broad principles of Control for some time, but the executive powers must be given back to individuals subject to general direction by trade associations in co-operation with the Government departments.

3. Rapid rebuilding of the mercantile marine and its apportionment to the various routes by a joint committee of shipowners; publication of the productive possibilities of war plants, and co-operation between manufacturers to avoid overlapping of effort and for the fullest development of the nation's productive power.



**G.—PUBLISHING AND PRINTING  
TRADE**





**Ernest J. P. Benn**

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## **WHITLEYISM AND SELF-GOVERNMENT FOR INDUSTRY**

• BY

**ERNEST J. P. BENN**

I AM asked to answer the following three questions:—

1. What in your opinion will be the situation immediately after the war as regards State regulations?

2. What in your view is the limit of State interference to be maintained?

3. What in your view is the best after-war policy to be pursued to further the highest interests in trade, commerce, and industry?

The last is the only question to which anything approaching a definite answer can be given. To deal with the first two would require a knowledge of the future. It is quite impossible to dogmatize upon the situation after the war. One must, first of all, know when the war is going to end and how it is going to end. The relative position of the Government and the trades will alter each month as the war goes on until the time arrives when there are no trades but only Government departments. It is equally difficult to say what are the limits of State interference which should be maintained in the future. If our trades remain in the unorganized, chaotic condition in which they are at present, then there will be a very strong case for extending the limits of State interference. The future, in my view, depends entirely upon what attitude the trades themselves take and what arrangements they make to fit themselves to undertake the new responsibilities which will arise as the result of the war and which somebody must shoulder.

There are still a good many people—the number is,

## **Whitleyism and Self-Government for Industry**

I know, diminishing—who are hugging the delusion that when the war is over we are going back to 1914 methods. They take the word "reconstruction" literally, and imagine that the work ahead of us is to undo all that has been done in the last four years and to get back as rapidly as possible to the conditions which prevailed when war broke out. If this sort of view were to be held generally by the industrial and trading community, then I for one should be an enthusiastic supporter of extending the control of the State over industry indefinitely. People who think that we are going back to 1914 methods have failed to study even superficially the vital changes that have been taking place during the period of the war: 1914 methods will be utterly inadequate to meet the needs of the future. This can be shown on many different grounds. The need for revenue or production three or four times as great as we had in 1914 is alone sufficient to prove that great changes in industry must be made. The aspirations of Labour for a better status, for an opportunity to share in the progress and development of our industries, has next to be reckoned with. Labour has learned a great deal in the last few years, and will not consent to a restoration of the old pre-war order of things.

But, more important even than this, there has been a great change in our attitude as individuals and as a nation towards trade and industry. In the past we have regarded these things as a means to an end, the end being wages or profits. In the future we shall look upon both these old ends as relatively unimportant, and industry will be regarded as a branch of national service and as an instrument of civilization. Mr. W. L. Hitchens expresses this point well when he says:—

"There has been a great change in men's outlook since the war, and in none more than in regard to the sphere of industry. In the old days this was regarded as the exclusive preserve of the political economist, whose laws were accepted without challenge—*laissez-faire*, unrestricted competition, the higgling of the market, the

laws of supply and demand, economic individualism, enlightened self-interests, were some of the beacons set up for us by the political economists to guide us on our industrial way. Now patriotism has replaced self-realization and economic individualism has given way before the collective needs of the nation. In plain terms, we have been forced by our national danger to see that the well-being of the community comes first, that of the individual last; we perceive that the object of industry is the welfare of all, not the enrichment of the few—that industry, just as much as the profession of a soldier, is a national service."

There has arisen within the last few years an entirely new spirit in industry. This is very largely the outcome of the association movement, which was suspect a few years ago but which has now become an integral part of our manners and customs. Employers are banded together in trade associations, employed are flocking into their trade unions. It is hard to find a man or a woman in industry who does not now recognize the need for organization.

We have witnessed the disappearance of an era of competition and the arrival of an era of co-operation. The old competitive idea is almost gone; the only bit of it left is that which exists between the two great divisions of industry known as Capital and Labour. The next step in this evolutionary process, which has eliminated competition as between employers and competition as between employed, is to bring those two great forces together and recognize in a practical way the great common interests which they have.

All this is, I am afraid, wandering a little from the questions which have been addressed to me, but I hope to show that it has a very vital bearing upon the answer which I desire to give. Industry in the future must be controlled in the interests of the community as a whole. In no other way can we get our needs satisfied. The only question that remains unsettled is whether that control shall be by the State, or whether the trades will put themselves into such a position that they can govern.

## **Whitleyism and Self-Government for industry**

themselves. I regard State control as a cumbersome and expensive process and as tending to discourage that spirit of initiative and individual responsibility which is the very essence of progress in commerce and industry. I should, therefore, be glad to see the limits of State interference reduced to the narrowest possible dimensions.

I look forward to the day when the citizens who have adopted a particular trade as their calling will recognize that that trade is a branch of national service, that it has definite obligations to the community, and that it must be carried on in the interests of progress and civilization. Further, that the trade has an existence as a trade, that it is a unit, a section of the nation, and has interests, needs, ideas, and ambitions which are common to the whole trade; that it is not, in fact, an odd collection of odd employers all at sixes and sevens, with a mass of labour attached to it like so much machinery. When these ideas are properly expressed and properly understood all sorts of fascinating possibilities present themselves. It begins to be realized that the power of such an organization is many times as great as the sum of the power of all the conflicting elements that made up the trade in pre-war days.

I am aware that some people may read into these ideas an argument for syndicalism or, on the other hand, an argument for the formation of trusts; but I am one of those who think that the undoubted advantages which can be secured out of either of those abuses will be obtained through the development of the association idea, and that we shall be able to maintain those individualistic characteristics which have always been the strength of British trade.

It is impossible within the limits of a short article to do more than mention the outlines of a great subject which is occupying the attention of all students of industrial development at the present time. The practical position as I write is this: A big movement is on foot to establish a system for self-government for industry, by the creation of joint standing industrial councils or trade

## **Ernest J. P. Benn**

parliaments in every trade. If these parliaments are constituted on proper lines, are able to secure the confidence of their trades and to bring sufficient pressure to bear upon the Government, they will be able to take over most of the functions of trade regulation which are now exercised by Government departments. If, on the other hand, some development on these lines does not take definite shape before the war ends, then it may be necessary to continue most, if not all, of the systems of control and regulation through which the Government is now operating to get out of industry what the nation wants from it.

If your space permits, perhaps I may add the following practical proposals. As chairman of the Industrial Reconstruction Council, I have exceptional opportunities for studying the enormous progress that is now being made in the organization of trade both among employers and employed. I am, I confess, an optimist, but I think I shall live to see the establishment of a full system of trade self-government. The Industrial Reconstruction Council is a propagandist body, established to preach the doctrine of self-government for industry—the complete organization of every trade; every man in his union, every employer in his association, and from the two an elected trade parliament in every trade with proper status and adequate powers.

We are specially interested at the moment to spread a wider knowledge of the Whitley Report, because that report is the first practical step towards the ideal we have in view. The Whitley Report established two great principles. First, that in any scheme of industrial reform the unit must be the trade. The problem must be tackled trade by trade, one trade at a time. Second, that the responsibility for the future of our industries must be shared by all parties, and that there must be complete co-operation to this end between employers and employed.

When once we get hold of the idea of a trade as a unit, as a branch of national service, when we begin to realize the truth that the whole is greater than the

## **Whitleyism and Self-Government for industry**

*part, that the best way to be a successful man is to belong to a successful trade, then all sorts of fascinating possibilities open up to us.*

If you will take the Whitley Report with these ideals in mind and read between the lines, you will begin to realize what the new spirit in industry is capable of doing. When we get an industrial council or trade parliament in every trade, there will at last be a chance for the full development of each trade for the benefit of the nation and of all those engaged in it. We shall then be able to complete the process of pulling the trades together.

The war has shown to some extent what can be done in this way. The Government has taken whole trades and managed them as trades; and output, wages, and profits have increased enormously. These trades now begin to realize the benefits of a united policy, but in future they will do it themselves without the help or hindrance of the Government.

Self-government for industry, a trade parliament in every trade, will enable us to get rid of most of the muddle and misunderstanding of the past, and to develop on sound and progressive lines in the future.

Among the many opportunities that will open up there will at last be a chance to give to labour an insight into some of the difficulties of commerce and industry, a chance to put up a decent fight against the foreigner, to get the tariff question out of the cockpit of party politics, to get the management of the trade into the hands of the trade and out of the hands of the Government, a chance for each trade to pull its full weight, a chance to reconstruct on sound lines, to develop the big idea in business, to make science and education main issues instead of side shows.

## **THE PROS AND CONS OF STATE INDUSTRIAL REGULATION**

BY

**WALTER HAZELL**

THE whole condition of the world is so unprecedented that it is rash to predict anything. So far as I can judge, I think the public will expect that a large amount of State control, to which industry is submitting cheerfully at the present moment owing to the world's crisis, shall be relaxed as soon as practicable.

It is difficult to draw a line to limit wisely State interference with industry. If we could be sure that people would work for the State with as much intelligence, industry and economy as they work for themselves, the Socialistic State might be very near. As this altruism seems far distant, it is well to consider a few arguments for and against the State regulation of industry.

In its favour it is obvious that much wasteful advertising and travelling would be saved to any industry under State control. The State can provide ample capital, while sound private enterprises are often hampered for want of it. One large store instead of many small and poorly supplied ones ought to benefit the public. People now scramble into occupations regardless as to whether there is room for them or not. The State might possibly regulate their entry so as to provide sufficient for each calling without a surplus. A railway map of the country surely indicates that if, when the railway system was started, the State had laid out a scheme for providing the country with sufficient, but not competing, lines, many millions of pounds might have been saved. The Post Office as a trading concern,



## **State Industrial Regulation**

making large profits, is an example of State control, which is almost the only example which can be produced as being really successful, though even here if one asks for anything out of the fixed routine one comes up against a dead wall.

Against State regulation there are obvious arguments. Government methods are notoriously slow and cumbersome. Officials have not the power, even if they have the will, to work with elastic methods according to the public's varying needs. Public officials have practically permanent berths, and their positions are safe whatever may happen to the work in which they are engaged. A Government department once born seems to have perpetual life. Many of us remember the hereditary Ducal Keeper of the Hawks who drew a large salary generation after generation, long after Falconry as a royal sport had disappeared, and even drew the money for the food for hawks which had died many generations before. In private enterprise such perpetual waste cannot go on. The inefficient trader either mends his ways or becomes a bankrupt, and the waste is stopped.

In this ever-changing world, people in private enterprise endowed with brains and initiative are always finding new methods to develop business, while the Government department would be apt to go on in the same rut whatever happened. Trading by the Government might be mixed up with party politics with a tendency to cater for votes rather than to serve the public efficiently.

Is there not a middle course between State enterprise and unrestricted private competition? The Government is encouraging each industry to form itself into an association, with the aid of the employees, to develop enterprise on every side. The State should stimulate such associations to spend money and brain power upon research; upon finding new markets both at home and abroad; upon co-operative buying and selling, and upon all kinds of collective effort on a scale which no individual firm could afford. The State might also prevent much waste by giving a regulated

limited monopoly under proper restrictions to enterprises where there was obvious waste in unrestricted competition ; e.g., the present absurdly wasteful method of retailing milk. The State already safeguards the public interest when services are rendered, the value of which the individual cannot test. Thus, doctors and lawyers have to be certified as efficient, adulteration is stopped by Government inspection, and such safeguards might be developed indefinitely. Much Government encouragement to agriculture is likely to succeed the past policy of *laissez-faire*. Regulated monopolies in private hands might oppress the employees and the public unless they were carefully safeguarded. Wages Boards should ensure all workers a minimum wage, excess profits are being diverted to the State at present, and whether it continues or not after the war the high income tax will be a great barrier against the accumulation of unduly large fortunes. The great co-operative movement is steadily growing, and deserves any encouragement the State can give to it. In my belief the State can do much to encourage the industry of the country without becoming the actual proprietor of the businesses involved.



## ***H.*—BANKING**



## **BANKING ORGANIZATION FOR INDUSTRIAL CREDIT**

BY

**SIR HERBERT HAMBLING**

1. OWING to Government control, artificial conditions have prevailed during the past four years. The law of supply and demand has scarcely operated, and it will be no easy task to get back to normal conditions. Millions of men have been taken from productive to unproductive work, and not only have we, as a nation, been spending our accumulated savings, but devoting to a large extent our energy in production to destructive purposes.

All over the world, including enemy countries, preparation is being made on a gigantic scale for after-the-war trade. What one might designate as super-trust organizations are being formed by our future competitors; great institutions, whose ramifications are world-wide, are already purchasing and storing raw materials. It is felt that we shall have to meet the super-organizations of our competitors with super-organizations of our own. Unless we can make sure that every ounce of raw material is used in the most economical manner and that the advantages of standardization are fully adopted, we shall handicap ourselves in the economic world. The great combines which exist abroad can obviously afford the most up-to-date facilities and organization, they being in a position to disregard any question of expense. The banks must play their part, and broaden their system to meet new conditions. Actually our banking system has evolved to meet the necessities of existing situations. It has adjusted itself to the varying conditions of trade, and, judging by

## Banking Organization

results, it has done this efficiently. Further, there can be little doubt that both its efficiency and adaptability will continue if personal energy and initiative are not fettered by Government control, and I therefore feel that any undue official interference with freedom of action would be most undesirable.

3. With regard to the after-war duties of the banks to the nation, I may say that in existing conditions the banks of this country must adopt a much wider outlook. They have duties to the nation which must be performed, and in endeavouring to aid the country's industries they will, in the long run, be best serving the interests of their shareholders. Before the war it was estimated that this country paid for nearly £200,000,000 worth of imports every year by means of the interest due to us on the vast sums which this nation had during many generations invested abroad. During the war our exports have of necessity been reduced, but our imports have grown by leaps and bounds. In order to meet the adverse balance of trade so gravely increased by war's exigencies, we have had to sell abroad large blocks of our foreign investments. In spite of the help that our holding of foreign securities thus gave us, the American and neutral exchanges are all substantially adverse to this country; and, looking to the future, I cannot see how this position can be adjusted, except by a great increase in production and in exports, accompanied by rigid control both by the Government and the individual of our purchases of foreign goods, except such as are necessary to our subsistence and our trade. Owing to the high cost of food and raw materials, control of foreign purchases cannot carry us far. It is to the manufacturer, the trader, and the transporter that we must look for the solution of our national difficulties. All our problems—of finance, cost of living, exchanges, trade position, and the maintenance of a higher standard for our working classes—are to be solved in one way, and in one way only, by a greater output of goods and a sparing consumption of unnecessary articles. Only by obtaining a great pro-

## **AIR PORT HANDLING**

duction and shipping as much of it as possible to foreign buyers can we restore our economic position and liquidate our war debt to foreign creditors. A great effort will be needed from our industrial and commercial workers ; and they can only make this effort if, by the initiative and enterprise of individual banks, they are supplied with those facilities without which they will be helpless in that fierce world-wide competition which will follow the declaration of peace.

The Government can, and I believe will, help, but they should not be permitted to hinder. Our consular system in the past has never provided for the banker, manufacturer, or merchant any service that could by the boldest flight of imagination be called efficient. The information which it puts before us is not to be compared with that gathered and set out by the consular service of our chief competitors. This must be altered, and it is satisfactory to know that the Board of Trade and the Foreign Office are taking measures to that end. But all that the Government can do will count for little if it is not backed by the energy and personal initiative of our producers and merchants, working unfettered by official restriction and control. One point, as it seems to me, the Government must keep carefully in mind at present, and that is the encouragement of manufacturers and others to exercise all possible ingenuity on the conversion of works now making war material into works that will turn out goods wanted in time of peace. Banking aid will be needed for this purpose, and will, I have no doubt, be given liberally. But the Government must beware of discouraging by hampering restrictions or ill-judged taxation the men who have shown resource and adaptability in meeting war's industrial problems from applying these qualities to the great readjustment that peace will call for. On the skill and readiness with which this readjustment is carried out will depend our power to pay for the food and material that we have to import, our power to free the pound sterling from depreciation as measured by foreign rates of exchange, our power to find employ-



## Banking Organization

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ment for the workers whose war task is done—our power, in short, to repair the ravages of war, and to set out with a good start on the path of industrial progress in the new world that the war will have created. Our organizers of industry have laid golden eggs, in the shape of an output of war material that three years ago would have seemed incredible. We want more golden eggs from them in the future, in the shape of an equally astounding peace output. To kill these valuable geese would be an act of criminal folly. But we shall kill them if we threaten them with taxation that will drive them out of business, or with regulations that will destroy their initiative. In war-time patriotism will carry men a very long way. When peace comes the patriotic stimulus will be less keen, and taxation which takes away too much of the reward of past services will succeed mainly in checking further effort.

Briefly then the important factors to remember in considering the position of industry in relation to State control, are that we must of necessity increase production enormously, that our products must largely be sold abroad in the face of the keenest competition, and that in consequence our whole industrial machinery must be thoroughly efficient.

A national industrial machine freed from Government control will, in the future as in the past, automatically and inevitably consign inefficiency to the scrapheap of failures, while one hampered by Government control will only too often subsidize and perpetuate mediocrity. If we could regulate and control external as well as internal trade a subsidized mediocrity might conceivably stand, but we cannot. On the contrary, we know that competition for foreign markets will be relentless, and that only that which is best and most efficient will succeed.

## ***I.*—FINANCE**



## **THE MENACE OF TAXATION**

BY

**B. H. BINDER**

WHAT is the best after-war policy to be pursued in the highest interest of trade, commerce, and industry?

It is a theme which, if exhaustively treated, would fill a volume. On the other hand it is a subject upon which one can pardonably generalize, indicating briefly the main lines upon which a sane policy should follow.

We are an industrial and trading nation; our prosperity is built upon trade, industry, and commerce; on that basis we must stand or fall. We were not labelled "a nation of shopkeepers" for nothing. The word "shopkeeper" was, perhaps, either a mistranslation or born of sarcasm. If the phrase had run "a nation of traders," few probably would be found in this country to deny the impeachment. It is no longer a stigma to engage in trade. The best brains of the country are engaged in it; witness the necessity of calling in the "business" man to assist the Government during the war.

Trade and commerce are based upon industry.

What is the best policy to develop industry and to secure the increased production necessary to increase trade and reduce the high cost of living?

In the first place, vexatious State restrictions and interference must be removed. Individual effort must be encouraged, not crushed. But just as in a large enterprise standing orders are adopted indicating the general lines upon which the business must be conducted, so

## **The Menace of Unemployment**

there must be reasonable standing orders fixing basic industrial conditions. There must be regulations as to health, housing, education, and a minimum wage for the worker, so that a reasonable standard of comfort and health may be the natural heritage of every individual. The enlightened employer of labour may not require these, but past experience has proved their necessity. Trades Unions have hampered industry, but Trades Unions were called into being as a defence against the methods of the bad employer. Regulations, therefore, must prevent the bad employer from either causing trouble, or from competing unfairly against the good employer. As the Prime Minister has truly said, an A1 Empire cannot be built upon a C3 population. The conditions of employment and of housing have been largely responsible for our C3 population. Such conditions must, therefore, be so improved and regulated as to prevent their producing a C3 population. The emancipation of labour does not, however, as many seem to think, necessitate the undue fettering of capital.

Capital and Labour are, or should be, twin pillars of industry. Because in the past one has borne an undue strain, there is no reason why the weight when lifted from the one should be put upon the other. Both should be freed from unnecessary burdens and utilized in combination for their mutual benefit.

The precepts of the Whitley Report should not only be preached by the Government but practised by them. We are told that an ounce of practice is worth a ton of theory. Let the Government employing departments set an example, and the country, aided by such movements as the National Alliance of Employers and Employed, will follow.

There is no question of returning to "normal conditions."

The new conditions looming ahead have recently been well described as follows :—

"We are confronted with the necessity of emerging from the abnormal, not to return to the normal, but to create a new normality."

If both Capital and Labour recognize and accept the "new normality," and together strive to accommodate themselves to it, many of the bogies held up to frighten trade and industry will disappear.

If there is to be a policy of nationalizing certain industries, it should be done in such a way as to make the State a partner with private enterprise, so that instead of the business being deadened by bureaucracy, it may be made profitable, and the State may reap some tangible benefits.

Trade and commerce also must be freed from trammelling regulations. They cannot thrive under throttling conditions. Restrictions flow not only from regulations, but also from fiscal policy. Taxation may prove to be one of the greatest restrictions, as finance is the necessary accompaniment of industry and trade. By all means broaden the basis of taxation, but this can be done without imposing penal taxes. Indiscriminate predatory taxation, apart from other evils, is an abuse which will create other abuses, and may result in financial smuggling, as widespread as trade smuggling in the "good old days."

The Labour Party want to improve the lot of the workman, and they should be aided in this laudable object. They have recently discovered that there are brain workers as well as manual workers. Capital, which to a large extent is to the brain worker what his tools are to the manual worker, must have its chance as well as Labour. We have heard of the bad workman finding fault with his tools. The outcry against capital may be regarded as the workman finding fault with his fellow workers' tools. The labourer in the ranks is to be given a better opportunity of becoming a captain of industry. The present lieutenant of industry should not be grudged the opportunity of also becoming a captain of industry.

The workman retains the profit derived from gaining higher wages by obtaining promotion, but the man who embarks his capital must, unless the law is repealed, pay most of his profits away in Excess Profits Duty

## **The Menace of Taxation**

if he strives to gain more than a small percentage of return on his capital.

The Excess Profits Duty is one of the greatest restrictions that now exists upon trade, commerce, and industry. It is a restriction which, if British interests are to hold their own, must be speedily removed.

If individual effort is discouraged by vexatious regulations or burdensome taxation, the outlook for trade and industry will be a poor one.

The British are Empire builders more by instinct than design. The men who built the Empire did not go out flag-waving, or on a particular Empire stunt. They went out to trade, to improve their positions, but being in the main of the best type, possessed of the innate British sense of justice, they did their work in such a way that it helped the State. They builded better than they knew. They were like the man who found that he had talked prose all his life without knowing it. They founded the basis of a far-flung Empire almost before they appreciated the wider effects of their work. Their orderliness of mind and sense of justice created a British goodwill, which it is our duty to conserve and develop. The work can only be continued as it was started, by individual effort. As in a separate business, which as it develops requires "standing orders" for guidance, there must be control, but the regulations must leave wide scope for individuality.

To sum up: State interference in trade, commerce, and industry should be reduced to the lowest limits. Regulations, however, should be reinforced as to health, housing, education, and a living wage.

A standard of comfort should be the basic principle of all employment. "Comfort is the enemy of anarchy."

Joint working between employer and employed, between capital and labour, should be promoted.

The State should make a wide framework or a circumference of regulations sufficiently wide to leave large spaces to be filled in by individual initiative.

Taxation should be adjusted so that it does not create

### **B. H. Binder**

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inflation or damp initiative as the Excess Profits Duty has done.

Control, with the spread of education, will be supplied by a healthy public opinion representing the combined common-sense of the community.



## **The Need for a Collectivist State**

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### **THE NEED FOR A COLLECTIVIST STATE**

BY

EMIL DAVIES

1. I IMAGINE the situation immediately after the war as regards State control will be that manufacturers and merchants will be clamouring for the complete removal of all State control from their own particular industries, but will soon be putting forward most valid reasons for the continuance of control over other industries or trades on which *they* depend to secure a fair (or unfair) allocation of raw materials, transport facilities, etc.

In foodstuffs the general community will soon realize that control must, in many cases, continue. If the ordinary law of supply and demand were to operate, one could quite easily conceive all the strawberry jam finding purchasers among the wealthy classes at 2s. 6d., or even more, per lb. !

2. The question of the limits of State interference that should be maintained cannot be answered in a sentence. No sane person can possibly desire the continuance of measures which are wholly restrictive and negative in character, such as the cable censorship, the black list, export licences, etc., but a system of each for himself means that a small class waxes rich at the expense of the community. A system which has produced "a C 3 population" cannot be held up as the ideal. It must be borne in mind that many of the hindrances and obstacles to the well-being of the community which must be the true aim of trade and industry (otherwise a Nemesis awaits them) are the result, not of State action, but of individualism gone mad. If our agriculture has been lamentably neglected, to the great

## Emil Davies

detriment of the nation, as we recently found ; if our forests are the most meagre and least scientifically developed throughout Europe; if our peasantry are the worst housed and least paid in any civilized country—it is due to *lack* of State interference.

In this complex world of ours the State should simplify matters as far as possible by sweeping away artificial hindrances to progress. The land should be nationalized and one simple system of tenure replace the lawyer-made barrage which successfully prevents access to the land; by giving security of tenure, provided certain overriding regulations as to cultivation are complied with, the State will enable people to develop the land in security without having to sink most of their capital in the purchase of freeholds—if they are obtainable ! Transport must be nationalized, as, indeed, must every great service that is vital to practically every industry and every section of the community, e.g. power, light, heat, and banking. Other services essential to the health of the people, in which health and life should clearly take precedence of dividends, such as the provision of pure milk and bread, and the drink trade, should be municipalized. Outside these "public utilities," most branches of human activity might be left to the free play of competition, subject to such safeguards as may be found necessary in the interests of the community, and provided they are accompanied by "the right to work," with full maintenance where no work can be provided (although such a contingency should be unthinkable in a properly organized State), with a minimum wage in every industry.

3. It is only lack of imagination which prevents our leaders of industry<sup>1</sup> from seeing that a better distribution of income, i.e. purchasing power, is the surest means of stimulating every useful branch of industry. A general rise of 50 per cent. in wages, combined with

<sup>1</sup> I use the conventional term, but there are no leaders of industry. Each big *entrepreneur* plays for his own hand, and it has required the strongest possible Government interference to induce employers in some of the great trades to organize themselves sufficiently to render a Whitley Council possible.

## **The Need for a Collectivist State**

the measures mentioned in the preceding section, would do more to create a brisk and continued demand for home manufactures than all the tariff schemes and other disguised subsidies in contemplation. But, with a comparatively few enlightened exceptions, most of our leaders of industry and finance are wholly out of touch with the trend of things. They do not realize that their *raison d'être* is to supply the needs of the community, and that it is the community which is really their *employer*. They are divorced from, and wholly ignorant of, the ideas and great forces that are growing up in the minds of the vast body of consumers as represented by the Trade Union world, the co-operative societies, and other great mass movements. As things are, it is the community which indirectly employs the manufacturers, merchants, and bankers, these, however, *fixing their own remuneration*. If private industry is to continue, both the workers, as workers, and the community, as consumers, will have to be invited to participate in the direction of every industry.

A few years hence these views will seem less startling and less unpalatable to many of the readers of this symposium than is likely to be the case to-day.

## **THE EVIL OF INFLATION OF CREDIT**

BY

**T. J. CARLYLE GIFFORD**

THE most which can be expected of any short answer to the questions submitted is that it should draw attention to some of the problems to be faced at the end of the war and to some of the principles to be kept in view in the attempt to solve them.

It is difficult to exaggerate the financial difficulties with which Great Britain will be confronted immediately the war ends. It is a truism that war impoverishes the combatants. Impoverishment may, however, act as a stimulus, but unfortunately in the case of Great Britain there is little prospect as yet of this benefit. For Great Britain during the last four years has been like the family of a rich manufacturer whose business has been stopped by some catastrophe but who has continued and increased his former rate of expenditure, first selling his investments, and then borrowing heavily from a distant but sympathetic relative. His family have felt no reduction of spending power, and have received no preparation for the situation which will arise when the sympathetic relative refuses further loans, and still less for the task of repayment.

Before the war Great Britain was the creditor of all the other nations. When the war ends she will be the creditor of hardly a single nation other than some of the allied belligerents, and she will be very heavily the debtor of the United States. And yet the average citizen of Great Britain to-day feels himself a richer man than he was in 1913, although, taking all the citizens together, it is clear that they are much poorer

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than they were then. No doubt the individual realizes that at present he can obtain only very reduced supplies of goods and services. But that is put down entirely to lack of freight and to the need for supplies at the front, never to any lack of the wherewithal to pay for the old liberal supplies.

It is this failure to realize what the financial position is which will be at the bottom of many of the difficulties with which we shall be faced hereafter. People cannot be expected to accept without demur increased taxation and shorter commons when peace comes if they do not realize that such is the inevitable result of maintaining so high a standard of comfort during a lengthy period in which they have seriously eaten into their capital resources. Ignorance may easily hinder genuine efforts at restoration and instead may lead to bitter recrimination between the different classes of society, when, as a matter of fact, one class is as much—or as little—to blame as another, and the only hope of surmounting the difficult and dangerous situation will be that each class and each individual should realize the need for hard work, steady application, limited leisure, and stern economy. The prospect is that for every one who has not been actually fighting or been torn with anxiety for those who have fought the immediate post-war years will be much more trying than the years of war.

The failure to realize how the financial position of the country has changed has been due to the financial policy adopted during the war. The policy has consisted of two parts—first, the selling of our foreign assets and the obtaining of loans abroad in order that we might be able to obtain an increased supply of goods from abroad, and secondly, the method adopted to concentrate a large part both of these foreign goods and of home produced goods and services in the hands of the Government. This method has been one, not of taxation and loans from genuine savings, but of declaring paper money to be legal tender without limit and of manufacturing new supplies of credit either in the hands of, or for the purpose of being immediately transferred to, the

**Government.** The justification for the first part of the above policy is that we needed a much larger supply of goods from abroad for war purposes than we could pay for by current exports, and so far as the extra supply obtained was wholly needed for the war the justification is complete, but to recollect the temper of the nation in August 1914, when it was prepared for almost any sacrifice, and the orgies of personal extravagance in 1915, is to doubt whether the plea suffices. The second part of the policy is difficult to support except by the argument that had the people of this country realized, in addition to the horrors of the war, how each one of us was being impoverished, as they would have done if the power to purchase goods and services had been transferred to the Government by taxation rather than by manufacture of credit—they would have refused to go on with the war. Those who despise the character of the British people may take that view.

At the end of the war the people of Great Britain will collectively be poorer than they have been for at least a generation, and yet, judging by the investments and cash we shall own and the annual income we shall be earning, each of us will think himself richer than ever. That contradiction between the facts as they will exist and as they will appear to the individual presents a difficulty underlying and affecting all reconstructional efforts, and in particular the effort to get rid of control of commerce by Government Departments. Until the credit at the disposal of individuals is reduced to agree with the amount of their wealth suitable to be the basis of credit, the first result of the withdrawal of Government control will be a demand for foreign products far in excess of the products we shall have available for export. This will lead to a fall in the international value of the sovereign and—leaving aside the effect on London's position as the world's financial centre—to a grave rise in the price of commodities here, a rise which will not be compensated by an increase in wages, because labour will be neither scarce nor in great demand. On the other

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hand a continuance of Government control will stifle enterprise, will be grossly unfair to those who do not have some personal connections with the Committees in charge, and will but delay that restoration of our wealth and industry which alone will enable us in due course again to enjoy as freely and cheaply, as before the varied products of the wide world.

It cannot be seriously questioned that for the purpose of accumulating wealth there was and can be no system so favourable as the system of Free Trade—or no Customs Duty without a corresponding Excise Duty—under which Great Britain gained control before the war of a share in the products of the world quite out of proportion to her population and her resources. The war has shown the value of that control for the purposes of the war, and of the goodwill which accrues to the nation which places no obstacle in the way of the trade of any other nation, and makes no effort to tax any but her own people. Great Britain will do well to remember these lessons of experience.

Since writing the above the First Interim Report of the Committee on Currency and Foreign Exchanges after the war has been issued. That Report confirms the gist of the above notes, viz. that a reduction of credit is an essential underlying condition of the removal of Government control. Reduction of the present excessive supplies of credit is equivalent to a restoration of "hard" money. It will be surprising if there is not a strong political demand in the near future for an inflationist, "soft" money policy, so superficially attractive is this heresy. A study of what took place in the United States after the Civil War and in Italy towards the end of the last century may be recommended to those who find themselves tempted to support such a policy.

This time of victory, too, is one in which to advise not only—as does the Committee—a restoration of the pre-war financial system of Great Britain almost unmodified, but also the avoidance of the system of tariffs beloved by the class which has so long governed Germany, and the maintenance of that system of trade under

**T. J. Caffyle Gifford, W.S.**

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which this small island of Great Britain, this limited population, acquired a wealth, a confidence in themselves, a mercantile marine, a practically unchallenged navy, and an affectionate loyalty from the Dominions which enabled them so to succour their Allies, to develop their own military resources, and at the last to transport the soldiers and materials of America, as once again to bring to Europe complete victory over an unscrupulous Power which aimed to enslave it.



## **NEW ELEMENTS OF EFFICIENT CONTROL**

BY

**JOHN ZORN**

MR. HUNTLY CARTER has confided to me the trifling task of reconstructing the British Empire politically, economically, and socially in an article of two thousand words—say two columns of the *Daily Telegraph*—and he has generously accorded me three weeks for the work!

I am grateful for the limitations imposed which force me to state conclusions, and omit how I arrived at them; moreover, my readers will be spared the fatigue of following demonstrations and researches which have occupied me some thirty years.

*The People.*—A leading characteristic of the English is their love of justice. Tenacious of their rights, they are content with their rights. This renders them peculiarly easy to govern on their own lines, by elected governing bodies, or by authorities whom they recognize as lawful. This love of justice and ready recognition of lawful authority is the reason why we rub along with our crazy and ill-conceived constitution and institutions. The praise so frequently bestowed upon these, should be bestowed on the English people. As an illustration of my meaning, how often our London police are lauded for their regulation of vehicular traffic. It is the drivers of the vehicles, not the police, to whom praise is due. Were it not for the former's loyal co-operation, the police would be helpless.

The nation produces men of about four classes of intellect; I designate these classes X, X<sup>2</sup>, X<sup>3</sup>, and X<sup>4</sup>. The lowest, X, belong to the drudge class, the born hewers

of wood and drawers of water. At present this class embraces about one-third of the nation, but with better pre- and post-natal conditions, and improved education, the percentage of this class of citizen might be enormously reduced. These citizens will always need protecting and shepherding, or they may fall a prey to fellow citizens of higher mental, but indifferent moral, calibre.

At the other end of the scale come class X4, who number about one in a thousand of the population. To this class belong our leading men, in all spheres of life. At the present time the nation's total supply of such men is about twenty thousand. Accident decides whether these men attain to positions of prominence in the public's eye, or remain running the country in numberless important, but less prominent positions demanding equal ability. When we are tempted to over-value our cabinet ministers, or when they are tempted to over-value themselves, it is wise to fall back upon the fact that England's total man-power in first-class men would supply one thousand cabinets of twenty men apiece. Woman's Suffrage has, of course, doubled this supply. We have now stated two important facts.

1. The fair-mindedness of the English people.
2. The nation's large supply of administrative talent.

These two points involve as a corollary, the possibility of practically limitless decentralization of Government.

All successful large corporate organisms depended for their success upon decentralization accompanied by automatic discovery and self-checking of abuses. These principles should be applied in the reorganization of the nation after the war. It is all-important, however, that any great scheme of reconstruction should stand on a natural basis, by which I mean, that it should accord with the temperament and outlook of life of the bulk of the nation. In our clubs, our charitable societies, our joint-stock companies, and similar institutions, we find the English always work best by committees, and free election. Bodies nominated from above do not accord with the English spirit, but bodies consisting of the nominees of other elected bodies are

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often desirable, and highly successful. For certain purposes, this system of indirect instead of direct election is to be preferred, as it frequently brings into office men whose retiring disposition hides their ability from the masses, and men of this type often possess supreme ability and integrity. Note of these facts should be taken in designing any great scheme of reconstruction.

In any scheme of decentralization, it is important to embody two great principles.

Principle No. 1. The insistence that majority rule shall carry with it the insistence of a reasonably large majority.

Majority rule by vote is ultimately based on the belief that thereby the result of a struggle of the physical force of the contending parties can be ascertained in advance, and the otherwise necessary physical struggle eliminated. Presumably there will always exist human units and even small parties, who in any circumstances will be amenable only to physical force; to this type belong tyrants, martyrs, and other men who refuse all compromise. The vast majority of the human race will, however, not resort to physical force, if convinced in advance that the decision will be heavily against them. Like the king in the parable, if they think that with ten thousand they cannot meet him that cometh against them with twenty thousand, they will, while the superior force is a long way off, send an embassy and desire conditions of peace.

Now the weakness of our own system in the House of Commons is, that measures can be carried there by a majority of a single vote. If instead of our 670 members filing through the division lobbies, and 336 defeating 334, they had to line up 336 against 334, and with umbrellas, inkstands, the Mace, and anything else handy, have a rough-and-tumble fight for it, the betting on the result would probably be even, as, other things equal, the result of the scrap would depend on accident. But if a majority of three-quarters were necessary, what would the betting be that  $512\frac{1}{2}$  members could beat 167 $\frac{1}{2}$ ? Surely the odds would be much

heavier than three to one, for the result would practically be a foregone conclusion. Expediency, then, as well as justice, dictates submission to the will of the majority, if that majority be a large one.

Granted that the principle of a reasonably large majority be adopted, we have one great safeguard against party struggles. In any scheme then of decentralization, the insistence of majority rule by a reasonably large majority should be a condition.

Principle No. 2. To prevent jobbery and corruption by the local governing bodies, a system of automatic inspection should be introduced.

For example, let us suppose three local councils of thirty members each, and let a two-thirds majority be necessary for any decision a council may take. Let the decisions of Council A come up for ratification by Council B, the decisions of B for ratification by C, and the decisions of C for ratification by A. Here is a complete cycle of automatic self-cleansing political machinery, which should neutralize the abuses that might otherwise grow up under a scheme of decentralization.

*Political.*—1. Parliament.

A written constitution should be drawn up, declaring the supreme power to be vested in the House of Commons. The fiction of the king appointing ministers should be abolished, and the prime minister be elected by a bare majority of the House.

2. The Cabinet should be recognized as an integral part of our constitution; it should consist of not less than seven, nor more than twenty-one members, appointed by the prime minister. Some premiers would work better with small, and some with large cabinets; an able man should be allowed reasonable latitude in this direction, within limits.

3. Parliaments should be triennial. Our forefathers, who established triennial parliaments in 1695, were wise men. How many of our political troubles are attributable to our abandonment of triennial parliaments! To-day, with elections on one day, a system of triennial parliaments would be easy to work, and keep the House of

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Commons in close touch with, and representative of, the nation. The House of Commons should be cut down to 500 members, and a member be paid a salary of £2,000 a year. This is the fair market price of a first-class man, and the nation needs *first-class* men, and should pay accordingly. The monetary gain to the nation would be very great, as from such men a high standard of efficiency would be obtained.

The House should meet on Tuesdays, Wednesdays, Thursdays, and Fridays, starting work at 10 o'clock a.m., leaving off for a two hours' luncheon interval, say 1 to 3, resuming work at 3, and close at 7, adjourning for three-quarters of an hour for tea at a quarter to 5, to 5.30.

The House should sit all the year round except in August and September, with a fortnight's or three weeks' vacation around Christmas and New Year, and ten days' vacation in the spring.

The Government should go out of office only on a vote of No Confidence, for which a bare majority should suffice.

All Bills should have to be carried by a two-thirds or three-quarters majority of those present and voting. This would throw the power permanently into the hands of the moderate men, and prevent extremists forcing Acts through, for which the nation was not ripe.

The House should sit every Friday from 5.30 to 7, in private. No records of these proceedings should be taken. Many things should be known to Parliament that should not necessarily be made known in the Press or to the public. As a member of the latter, I do not lay claim to know all the inside matters of Government, but I want to know that my member of Parliament knows, and that he is watching my interests, and is able to keep the Government up to their work. When once the Press had got over its preliminary howl, the private sitting would be taken as a matter of course, and no fuss made about it.

A Bill should be introduced by its publication with a preface by the introducing member. Members wish-

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ing to comment on it, or to propose amendments, should have to send in, within three weeks, their written comments, limited to 5,000 words (say four columns of the *Daily Telegraph*). The Bill with these comments and amendments, and the comments in reply by the introducer of the Bill, together with notification as to what he would, and would not accept, should be issued with a reprint of the Bill. Two weeks afterwards the Bill should be voted on, and then pass to what is now known as the Committee Stage. Members who had sent in written comments should be allowed to speak for twenty minutes, other members for only ten minutes.

Voting on amendments should be taken in the first place by writing, in some such form as this :—

For .. .. .	
Against .. .. .	
In favour of discussion .. .. .	

When a bare majority of the House favoured discussion the amendment should be debated and voted upon in the House. At present Bills are frequently debated in a practically empty House. It would be better to substitute discussion by writing as outlined, and utilize for other matters the valuable time that is now wasted.

The whole three years of a Parliament's existence should be regarded as one continuous session, and Bills proceeded with accordingly.

The reforms above indicated would at least double, and more probably quadruple, Parliament's working power.

To gain the full effect of these reforms, a new parliament house should be built on a scale commensurate with the business it has to transact. The grand council

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chamber should provide comfortable seating accommodation for every member, and good Press and public galleries be provided. The governing factor in the design of the chamber should be its acoustic properties. Its architecture and decoration should be subordinated to these. The adjoining buildings should provide a private office for every member. In short, the new House of Commons should be designed as a place for work, and its members given the best tools and accommodation. Money spent in achieving this end would come back a hundred-fold, in the shape of increased legislative efficiency.

The Budget should be in outline a triennial one, with such annual modifications as might prove to be necessary. A triennial Budget would be much less disturbing to trade and industry than an annual one. Trade flourishes best under constant conditions, as these tend after a time to eliminate the element of chance, and give their due reward to skill and industry.

*House of Lords.*—This should be cut down to three hundred members. One hundred should be elected by the present peers, a necessary qualification being the obtaining a majority of at least two-thirds of those voting and present. A second hundred should be similarly elected by the House of Commons; and the third hundred co-opted by the first two hundred. Any vacancy subsequently arising should be filled by the House of Commons electing by a two-thirds majority a panel of ten possible peers, from whom the House of Lords should by a two-thirds majority select the man of their choice.

The Crown should be left alone, as our King is a thoroughly worthy man, and the Prince of Wales is following in his father's footsteps. In time, however, the monarchy is presumably destined to become an elective one. Possibly an annual king, like a lord mayor, would be best of all, but the solution of the question of the Crown concerns a future generation. When the sporting instinct of the nation becomes fully developed, a man will probably be as much ashamed of owing

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office to heredity, as he would be to engage in a dicing bout with loaded dice.

*Economic.*—A uniform currency should be established throughout the Empire, and preferably that of Canada adopted, as this is identical with that of the United States. A common currency would bind the English-speaking folk together commercially, in an extraordinary and highly beneficial way. The gold sovereign might be increased in weight, so as to be the exact equivalent of five gold dollars, and the National Debt be suitably adjusted. The silver dollar currency of our Far Eastern dependencies, and the rupee currency of India, should be so adjusted that a silver dollar should be given a permanent value of half a gold dollar, and the rupee could be continued at the rate of fifteen to the pound, so that one rupee would equal one-third of a dollar.

Stocks of gold should be held at suitable centres throughout the Empire, and credits established on a clearing system, by which gold balances could be transferred once a year, obviating all other gold shipments. The practical working of the scheme might possibly be best committed to a representative committee of bankers in each centre, sitting in consultation with Government representatives. The loss to bankers in exchange business, resulting from the adoption of the above proposals, should be made up by the resulting gain from the great stimulus they would impart to commerce.

The restrictions forbidding post office depositors to leave more than a given sum on deposit should be abolished, and citizens be free to place money to an unlimited extent with Government either on deposit or current account. To avoid unfair competition with the banks, the Government could refuse to pay interest. Current accounts should be encouraged in every way, as thereby currency acquires additional mobility, adding to the working power of capital. For this reason no stamp at all should be required on cheques.

The decimal system of weights and measures should be introduced, and its adoption urged throughout the



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Empire, so as to bring us into line with the other civilized countries of the world.

The war debt should be dealt with by means of a levy on capital. An immediate capital levy would temporarily reduce the manufacturers' and merchants' total wealth, but two beneficial results would follow:—

1. A corresponding reduction in income tax.
2. A great saving in financing.

If we have no capital levy, then for many years traders will have to pay from 5 to 8 per cent. for money, and an income tax of 7s. to 7s. 6d. in the £. A capital levy would restore the days of 2½ to 5 per cent. for money, and a shilling income tax. Out of the saving in financing and income tax, the capitalist could soon replace the wealth extracted from him by the capital levy. Continuous heavy taxation tends to crush industry, whereas a temporary heavy levy may act as a stimulus. A sudden heavy loss of blood is not so injurious to a man as a constant drain on his system. John Bull has to choose between one or the other. During the stress of the levy, Government should afford credit facilities either directly, or preferably through the banks. All that the capitalists who create wealth for the nation require is the *use* of capital. A manufacturer can equally well carry on his business if he have the use of £100,000 as if he own £100,000, provided the use of that £100,000 is secured to him for a reasonable period. The only difference will be that his profits will be diminished by the amount of interest he pays for the use of the borrowed money.

Our settled policy should be to extinguish all national and municipal debt at the earliest practicable period. If both our national and municipal debt were paid off, the manufacturer and merchant would be able to finance so cheaply, that no foreign competitor could stand against him.

Graduated old age pensions should be instituted for all citizens, ranging from 7s. 6d. a week up to £300 a year. Over 7s. 6d. the pension should be *pro rata* to wages tax or income tax paid. Pensions should be

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unattachable at law, and inalienable, and should be paid irrespective of a citizen's income. There is no reason why a multi-millionaire should not take his pension when due.

Taxation should be designed in accordance with the four canons of Adam Smith.

"I. The subjects of every State ought to contribute towards the support of the Government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the State.

"II. The tax which each individual is bound to pay ought to be certain, and not arbitrary. The time of payment, the manner of payment, the quantity to be paid, ought all to be clear and plain to the contributor, and to every other person.

"III. Every tax ought to be levied at the time, or in the manner, in which it is most likely to be convenient for the contributor to pay it.

"IV. Every tax ought to be so contrived as both to take out and to keep out of the pockets of the people as little as possible over and above what it brings into the public treasury of the State."

Taxation should be simplified and raised as far as possible by direct taxes. A wages tax should be collected weekly by a stamp system from the weekly wage earner, and paid over by employers to the Government authorities. Salaries paid monthly and quarterly should be similarly dealt with.

By thus collecting taxes week by week and month by month as it went along, the Government would save millions annually in the shape of discounts on treasury bills, and the taxes would be both easier to get in, and their effective burden lighter on the tax-payer.

The income tax should be graduated fairly, and be at least twice as heavy on unearned as on earned income.

The tax on tobacco should be abandoned as an unfair discrimination against smokers.

The drink trade should be nationalized. As too cheap

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alcohol might gravely damage the nation, the profits made out of the monopoly should belong to the nation, and go in reduction of taxation.

Nevertheless, it is an immoral principle to tax a consumer of alcohol, and let a non-consumer escape. Therefore, I suggest that a drink book should be issued to those applying for it. When Brown orders his half-pint with his lunch, he would get his drink coupon stamped by the waiter. Say that said half-pint costs him fourpence, and twopence of this represents taxation; at the end of the week Brown hands his six coupons, equal to one shilling, to his employer, who credits him with this sum against the income tax the employer has to deduct from Brown, and pay over to the State. The employer in his turn passes on the drink coupons to the Government in lieu of cash.

The more one thinks over this scheme, the more enchanting does it appear. The beautiful abstract justice of the proposition must appeal to all. What a delightful vision is conjured up of old Jones poring over his desk, reading Brown's book, and listening to the latter's explanations as to why he has been such a peculiarly patriotic tax-payer this particular week. Then consider the field for comedy opened up to our outworn comic journalists and playwrights; all these reflections witness to the inherent merits of the scheme suggested. Think of the candidate for Parliament returned by a cheering crowd at the top of the poll on his programme of a *gigantic* income tax. This article of mine is, God knows, dull enough to write, and presumably to read, but I thank Providence for this one spark of inspiration, and I look forward to the time when I shall get even with my teetotal fellow citizen in the matter of taxation. I do not grudge him his sense of moral superiority, but why should he shirk his fair share of taxation, and put it on to *my* shoulders? Only one difficulty in the scheme occurs to me, the impossibility of reconciling the enormous returns of the nationalized trade, compared with the sum claimed back through the income tax department. But, after all, if in answer

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to the question, "How much drink hast thou consumed?" Brown takes his bill, and sitting down quickly (and perchance a little unsteadily), writes "fifty," instead of the truthful hundred; shall we condemn him, when he proudly shows his drink book to Mrs. Brown and her mother, and ignores the income tax he might have saved, if his name had only been George Washington and not John Brown.

*Trade.*—No one should be allowed to carry on any sort of business without a licence, and all traders, great and small, should have to belong to their trade association, and be under its discipline. The details of management of these associations should be left to the members themselves, but the associations' constitutions should be drawn up on similar lines, and be subject to a State veto, so as to prevent them degenerating into close co-operations, carried on for the benefit of their members. The ideal should be to create bodies conversant with technical matters, able to deal with them promptly and skilfully, and to maintain justice between their members and the public.

All workers should be compelled to belong to some trade union, and be subject to its discipline. Masters and men both being subject to the discipline of their respective associations, complaints could be submitted to those associations. This would give practical effect to the great principle of trial by a man's peers, and carry the principle out in the details of a man's business life.

Government should be carried on as far as possible by the force of public opinion, and in this connection the laws of libel and slander should be drastically reformed. The governing principle of the amended laws should be, that throughout life a man must stand by the consequences of his acts. To illustrate my meaning, I have often heard my late father tell of how in the American Civil War, when greenback paper currency was the legal tender money of the United States, Californians insisted on all transactions in their State being carried out on a gold basis. If Brown owed Jones a thousand

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dollars, and tendered him greenbacks of that nominal value (worth in gold only three hundred dollars), Jones had to acknowledge the paper money as a full discharge of his debt; such was the law; but next day there would appear in the newspapers an advertisement, stating that, "I, Thomas Jones, have been paid by my debtor, John Brown, one thousand dollars in greenbacks." The result would be an absolute stoppage of Brown's credit. He had exercised his legal right to pay in greenbacks, and was boycotted by the community which was determined to trade on a gold basis. Public opinion triumphed over law.

Now under proper restrictions, this principle of advertisement of a man's acts might be most usefully applied. If Smith felt aggrieved by his neighbour Robinson's action, he should have the chance of stating his case to a jury, presided over by an impartial chairman, say of the nature of a county court judge, and if there were no legal grievance, but a genuine moral one, the jury might record their opinion on Robinson's action, and Smith be free to advertise the censure; two or three of such censures on a man would pretty well damn him with his fellows, and render his making his livelihood, except by the humblest of occupations, no easy matter. Under our present system, great rascality is possible without a man actually contravening the law, and it is impossible to make laws that will catch every scoundrel, while if he be exposed, his exposé runs the risk of a libel action.

*The Press.*—The *London Gazette* and *Hansard* should be consolidated and expanded. Local Government journals in connection should be established at important centres. These Government journals should be confined to reporting facts. Parliamentary reports, summaries of blue books, etc., appearing in the State newspapers, should be supervised and abridged where necessary by a staff of expert journalists, acting under a council, embracing members of Parliament of the different political parties. Every newspaper proving a genuine circulation of given amount should be repre-

sented on the council. Official newspapers on the lines indicated should do much to break the present immoral tyranny of the Press. In connection with the State newspapers there should be run an information office under similar impartial control, to which any citizen might address questions on matters of fact and obtain correct replies. Reasonable fees should be charged to cover the cost of research. In this way truth would be disseminated and false statements be gibbeted, while the public would be kept well and truthfully informed of national affairs.

*Foreign Policy.*—As a great sea power, we should adhere to our policy of Free Trade, because it fosters our sea power, and gives us a moral right to administer the waste places of the earth which our Empire has absorbed. A Free Trade policy secures us the sympathy of the business communities of the world. So long as foreign traders know that they can trade freely to English possessions, they welcome the expansion of our Empire; if shut out, then the tendency is for the foreign business communities to be thrown into the arms of the militarists, and war with England is only a question of time. Free Trade is a policy of peace and goodwill among nations. The Spanish Empire of the sixteenth and seventeenth centuries was shattered on the rock of protection, and the same fate awaits the British Empire if it embarks on a protectional policy.

We should draw as close as possible to the United States, and be prepared to share with them in partnership our present dominion of the seas. If the United States choose, they can drive us off the seas by a bloodless warfare, building two ships to our one, which their superior wealth will enable them to do.

The reuniting of the English-speaking nations should be the aim of our statesmanship, and such reunion would leave the dominion of the seas with those fittest to possess it. A league of the English-speaking folk might prove a fitting prelude to the greater league of nations.

There are yet many matters I ought to touch on, but I have far exceeded my space limit. It is for

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the reader to sift the wheat from the chaff in what I have written. My aim has been to stimulate thought and discussion; to indicate whither certain lines of thought will take us if carried to their logical conclusions. Standing on the shores of a new England it is bold thinking and bold statement that we need, and out of the clash of opinions may come a spark that shall light a beacon fire for us to steer by.

## *J.*—AGRICULTURE





**The Right Hon. the Earl of Selborne, K.G.**

## **A NEW AGRICULTURAL POLICY OF CONTROL**

BY

**THE EARL OF SELBORNE**

THE best answer to the third question as to the policy to be pursued in the highest interest of industry so far as it relates to agriculture, may be found in the recommendations contained in the Report of the Agricultural Policy Sub-Committee of the Reconstruction Committee, of which I was Chairman.

The conclusion reached by the Committee was that elementary conditions of national insurance demand that the country should become self-supporting in the matter of food-stuffs in the event of any further emergency. Moreover, it is believed that it is an urgent problem of national welfare to increase the rural population, to give it a fuller sense of social unity, and to open out to the agricultural labourer the opportunity of intellectual and material advancement.

As to the question how great an increase of our home-grown food supply is necessary in the interests of national security and how great an increase is possible. The reply is that in any future crisis like the present war this country must be wholly independent of overseas supplies of corn, potatoes, or dairy produce, and it must be less dependent on overseas supplies of meat than it is now, and that, if the measures recommended are continuously carried out, the dependence of this country on overseas supplies of food will become continuously less during the years of peace, with the result that on the outbreak of war, and by carrying out the plans of the Board of Agriculture carefully matured in times of peace, specifying the crops to be grown, the

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country would become self-sufficient in the food-stuffs named after the first subsequent harvest in the respect of the cultivation for which these plans had been carried out. With sufficient land under the plough and in good heart this is a perfectly practicable policy. Without a sufficient increase of arable land it is not practicable. To cover the interval before the first harvest it would be a wise completion of the policy of insurance to have a store of grain in national granaries.

From this conclusion that England should, after the war, become more and more dependent on its own internal resources, arises the necessity of remodelling the foundation of its agricultural life so as to produce from its resources raw material and food. Hence the need for a new agricultural policy of control and efficient machinery for imposing it.

The need for a new agricultural policy is contained in the following recommendations:—

"It would take too long to state here the position in which British agriculture found itself when the war broke out in August 1914. But it may be said that in the previous year, 1913, the value of the food-stuffs (excluding sugar) which were imported into the United Kingdom from overseas, though capable of production within these islands, was about £200,000,000. One reading of the question put to us in our reference might be: 'What proportion of this importation could be produced in the United Kingdom, and by what means?' We have no hesitation in replying that by the adoption of a complete policy by the State, and by consistent persistence in it, a large proportion of this importation could be produced in the United Kingdom, and that a large addition might be made to the production of cereals and potatoes, not only without a diminution of the production of milk and meat, but with an actual accompanying increase of that production. In committing ourselves to this statement, we are not only expressing our own opinion, but we are expressing the opinion of every authority whom we have consulted.

"We commend to the study of all interested in these

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questions the parliamentary paper (Cd. 8305) 1916, 'The Recent Development of German Agriculture,' by Mr. T. H. Middleton, C.B., Assistant Secretary of the Board of Agriculture and Fisheries. It will be sufficient here to quote the following statements from page 6:

" 'On each hundred acres of cultivated land::

1. The British farmer feeds from 45 to 50 persons, the German farmer feeds from 70 to 75 persons.
2. The British farmer grows 15 tons of corn, the German farmer grows 33 tons.
3. The British farmer grows 11 tons of potatoes, the German farmer grows 55 tons.
4. The British farmer produces 4 tons of meat, the German farmer produces  $4\frac{1}{2}$  tons.
5. The British farmer produces  $17\frac{1}{2}$  tons of milk, the German farmer produces 28 tons.
6. The British farmer produces a negligible quantity of sugar, the German farmer produces  $2\frac{3}{4}$  tons.'

And his conclusion on page 7: 'That the British farmer is much the more favoured by nature, and the view of leading German agriculturists is that their soils and climate are distinctly inferior to those of Britain.'

" We believe that considerable increase in the agricultural output of the United Kingdom can, and will, be obtained by means of education, better varieties of seeds, greater diffusion of good stock, and improved manuring, but results obtained by these means must necessarily take time, and will, in any case, be limited in degree. We are led by the fact that the interests of national security are made the direct object of our inquiry to infer that very substantial increases in food production are essential. We have, therefore, been compelled to consider methods which are calculated to yield an increase greater than is likely to result in the near future from the normal development of agricultural

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practice. To increase production on the scale which we believe to be necessary it will be essential to increase largely the area of land devoted to arable cultivation.

"The impression exists in certain quarters that more milk and meat can be produced on grass than on arable land, but this impression is quite unfounded. The reverse is nearer the truth of the case. As a general proposition it would be correct to assert that more milk and meat can be produced from a given acreage of arable than from the same acreage of grass land, although it is probable that, from an economic standpoint, a considerable area should always be under grass. The agriculture of Denmark is an interesting illustration. In Denmark there is hardly any permanent grass. Almost the whole of the farm land is under rotation of crops, and yet Denmark carries a specially heavy proportion of live stock to the acre.

"We are confident that, as the years pass by and agriculture becomes more intensive in the United Kingdom, an increase of production will be reached which would now appear impossible to many farmers, and that, if the agricultural policy which we recommend is carried out steadily and continuously, a great change will be effected within a generation.

"Nothing in agriculture can be done by the wave of a magician's wand. Results can only be produced in the United Kingdom as in Germany, by a constant and consistent policy. The State must adopt such a policy and formulate it publicly as the future basis of British agriculture, and explain to the nation that it is founded on the highest considerations of the common weal. It must be explained to landowners, farmers, and agricultural labourers alike that the experience of this war has shown that the methods and results of land management and of farming are matters involving the safety of the State, and are not of concern only to the interests of individuals. They must be plainly told that the security and welfare of the State demand that the agricultural land of the country must gradually be made to yield its maximum both in food-stuffs and timber.

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"There is much excellent estate management and much high farming in the United Kingdom to-day, but there is also much slack estate management and bad farming, or management and farming, which, while profitable to the persons interested, do not take national requirements as to food production into account. That this is so is known to all who have studied the present conditions of British agriculture. The causes of bad estate management and farming are lack of suitable education or of capital (often found in combination) on the part of landowners and farmers, the personal equation of character, the excessive encouragement of game, the acquisition of land for the sake only of its amenities, and the conviction that the State has no interest in the treatment of agricultural land and that it is the concern only of the individuals dependent upon it.

"The general average of farming must be steadily and continuously raised throughout the United Kingdom; the grass land and the arable land alike must be more intensively cultivated; the improvement of live stock, for which landowners and farmers have done so much even through the years of acute depression, must be progressive; much grass land must be reconverted into arable; the sugar-beet industry and the manufacture of potato products can be introduced into British agriculture to its great advantage; estates must be managed with a single eye to maximum production; capital must be attracted to the industrial equipment and improvement of the land and to the operations of intensive farming; agricultural labourers must be provided with an adequate supply of good cottages; small holdings, both of owners and of occupiers, must be fostered to provide a 'ladder' for the agricultural labourer and for the demobilized sailors and soldiers; the organization of agriculture must be developed; the country must be permeated with a complete system of agricultural education; the status of the department of agriculture must be improved and their powers enlarged and reinforced by association with existing agricultural and administrative bodies, both national and local.

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"We are of the opinion that the conditions of agriculture must be made so stable that out of its profits the agricultural labourer can be assured a fair wage, the cultivator of the soil a fair return for his capital, energy, and brains, and the landowner a fair return for the capital invested in the land, and we believe that this stability can never exist so long as there is a possibility of a recurrence of the prices of the late period of depression.

"We recommend that the State should fix a minimum wage for the ordinary agricultural labourer in each county, guarantee to the farmer a minimum price for wheat and oats, and take steps to secure the increase of production which is the object of the guarantee. The cereal crops are the pivot of agriculture, and we do not consider that dairy and stock farming will in any way be prejudiced by our proposals. Moreover, these very important branches of the agricultural industry can be more, not less, advantageously conducted on arable land than on grass land. In the United Kingdom there is land so adapted to pasture that its retention in grass can be defended on economic grounds. There is also grass land the soil of which is a clay so sticky that in the climate of these islands under the plough 'season can only be got upon it' once in three or four years; and there is other land where the climatic conditions render the harvest precarious. It would be useless to plough such land. Of the remaining grass land a large proportion could be ploughed up with advantage to the farmer, the landowners, and the State. The interests of the State demand that more land should be put under the plough, and any landowner and dairy or stock farmer who chooses to convert part of his grass land into arable, could at once obtain the benefit of the guarantee, and at the same time increase the output of his particular products."

Further as to agricultural wages:—

"We recommend that Wage Boards should be set up for each administrative county in Great Britain; or, if they thought it desirable after consulting local opinion,

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the Government Departments concerned (which in this case should be the Boards of Agriculture) might constitute one Board for two or more administrative counties or for parts of two or more counties, to confer together, and if they think fit, to submit joint reports. On the other hand, each Board should be authorized to make different recommendations for different parts of its area, if it thinks it desirable. In some counties the wages generally paid would no doubt be found to be equal to, or more than, the minimum fixed by the Wage Board, and in these cases it would only be necessary to ensure that individual farmers did not continue to pay less than the approved minimum.

"The Wage Boards should be constituted on the lines of the existing Trade Boards, and should consist of equal numbers of representatives of the agricultural employers and labourers in the area (say ten in each), with a smaller number of members (say six) appointed by the Agricultural Department concerned, by which also the chairman would, in each case, be nominated. Some of the 'appointed members' and the chairman might be common to a group of Wage Boards, so that they might, in the course of time, gain wide experience of the problems to be solved, and the way in which their solution could most easily be achieved. The remaining appointed members on each Board might be persons familiar with the county, including landowners and agents. The selection of the workers' representatives will, in the agricultural industry, where the labourers are in most parts unorganized, present some difficulty; but the same difficulty has been encountered and overcome by the Board of Trade in setting up some of the existing Trade Boards, and we have been informed that in many and an increasing number of cases, the workers prefer that the Board of Trade should, after inquiry, nominate their representatives rather than that they should be asked themselves to elect them.

"The duty of a Wage Board should be to report to the Agricultural Department concerned that a certain weekly wage should be adopted as the minimum for



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ordinary agricultural labourers throughout the whole of its district, or, as already indicated, differing minima for different parts of its district. The Agricultural Department should have the power to adopt the rate suggested and to give it statutory effect and to promulgate it, or to remit its Report to the Wage Board for further consideration."

Coming to the chief agency for applying the new policy of agriculture, it may be said that it is to be found in a Board of Agriculture.

"Our conception of the Board of Agriculture is as of a great Department of State charged with the care of agriculture in its widest sense, and with the promotion of rural as distinct from urban life. Its duty should be to assist and stimulate agriculture by every possible means as a basic national industry, to promote the production of food in England and Wales, and to regard the increased prosperity and happiness of the rural population as its special care. It should also encourage and co-operate with voluntary organizations which exist for the promotion of these objects.

"We do not think that it should be charged with any urban responsibilities, and therefore we do not recommend that either the Land Valuation Department of the Inland Revenue or the Land Registry should be transferred to it.

"The first thing necessary after the war will be to unite the whole Department under one roof. Proper administration is quite impossible when a Department is scattered into a dozen separate houses in half a dozen different streets. The Minister in charge of the Department should be styled, as now, President of the Board of Agriculture, but his salary and status should be raised to an equality with that of the President of the Board of Trade and the President of the Local Government Board. The staff must be increased and strengthened; especially it needs the infusion of a proper proportion of Class 1 of the Civil Service; those members of the staff from whom expert, or, at any rate, practical knowledge is required, should be selected by

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a combination of the systems of nomination and examinations; the first division men, who enter through the Civil Service examination, should spend at least two out of the first five years of their service out of London; it is in our opinion important that they should get an early insight into the working of agricultural administration, either on the provincial staff of the Department or attached to the staff of local authorities. The provincial staff of the Department requires reorganizing. Before the war the work of most of the provincial officers covered an impossibly large area, but many fresh appointments have since been made in connection with the campaign for food production; in some cases officers may be made responsible for all the work of the Board in a given geographical area; in other cases the work of officers must be specialized. In short, the staff of this Department must be permanently expanded above its pre-war strength."

Beyond this, it is recommended that Statutory County Agricultural Committees, and a National Agricultural Council, should be set up.

It should be mentioned that since Part I of the Report was sent in, Parliament has passed the Corn Production Act, in which it embodied the three principles for which we contended, a guarantee of the price of wheat and oats to secure stability of conditions for all who live from the land, a minimum wage to ensure his fair share of the profits of agriculture to the agricultural labourer or farm servant, a power in reserve to the State to influence the use of land to the greatest national advantage. But the Corn Production Act has been passed as a war measure, and is therefore a temporary Act. We must renew our assurance with all the earnestness at our command that, unless after the war the principles of that Act are (with the necessary adjustment of details to the values and conditions of the time) embodied in a permanent statute, there can be no hope of the people of the United Kingdom becoming emancipated from dependence on supplies of food-stuffs brought from overseas, or of the increase of our rural population.

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In the matter of security from submarine attack the sub-committee naturally desired to be fortified with the opinion of the Admiralty. We accordingly wrote to them and drew their attention to the terms of the reference we received from Mr. Asquith, and said "that any observations which the Lords Commissioners of the Admiralty were able to make in the light of their subsequent experience would be of great assistance to the Sub-Committee." The following is a paraphrase of the reply which we have received and which the Lords Commissioners of the Admiralty have passed as accurate and given us authority to reproduce in our report:—

The submarine attack on the overseas food supply of the United Kingdom has thrown a great additional strain upon the Navy in the present war. The Navy has so far been able to keep this submarine attack in check, but no means have yet been discovered to render sea-borne traffic immune from attack. Consequently any effective steps to make this country less dependent upon the importation of the necessities of life in the present war would result in a great reduction of anxiety.

The certain development of the submarine may render such vessels still more formidable as weapons of attack against sea-borne commerce in a future war, and no justification exists for assuming that anything approaching entire immunity can be obtained. Therefore the experience of the present war leads to the conclusion that any measures which resulted in rendering the United Kingdom less dependent on the importation of food-stuffs during the period of a future war, and so in reducing the volume of sea-borne traffic, would greatly relieve the strain upon the Navy and add immensely to the national security.

## **PEACE, WAR AND AGRICULTURAL CONTROL**

BY

**ALEXANDER GODDARD**

IN order to understand the existing position with regard to agriculture, a brief survey of the events which led up to that position may be of service.

It is probable that till recently no single one of the principal industries carried on in this country had been left so completely to individual effort and so free from centralized control or organization as agriculture.

It is true that up to the passing of the Reform Act in 1832 the landed interests possessed a predominating influence in Parliament and exercised their power in favour of legislation calculated to benefit the industry on which they depended. The Reform Act, however, brought with it a change in the balance of political power, the growing strength of the newly enfranchised and rapidly increasing industrial classes enabling them by degrees to outvote the old landowning influence. In 1846 came the great trial of strength in connection with the repeal of the Corn Laws, which resulted in favour of the democracy and in the acceptance of the policy of cheap food for the industrial population.

It cannot be said that the abandonment of the earlier principle that the food of the kingdom should be produced from the land of the kingdom had at first any marked effect upon agriculture. The great trade revival and industrial developments of the middle of last century, and in particular the enormous extension of railways, gave rise to an increased demand for agricultural produce, and opened out new markets, which could not

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but prove beneficial to the producer; while the adaptation of steam to shipping purposes had not yet so revolutionized ocean transport as to destroy the natural protection given to home produce by the cost of, and time occupied in, sea transit.

This period, indeed, proved the Golden Age of English agriculture, and continued with some fluctuations until the latter 'seventies, when falling prices, due to growing foreign competition, bad seasons, and epidemic disease among stock, opened out a period of acute agricultural depression which had not spent itself by the end of the century.

In spite of Royal Commissions, nothing really was done to put the farmer on his legs again. He was left to work out his own salvation in his own way, and this he did by changing his methods of farming. No longer did he dare to aim at the big profit, which carried with it the corresponding risk of a big loss. His game was to play for safety. He put down his land to grass, reduced the capital employed in his operations to little more than half that which had formerly been looked on as necessary, and cut down his labour bill to the utmost. The country raised no objection. Produce from the virgin soils of distant lands could be poured into the home markets at prices against which the English farmer could not compete, and the lesson that the latter must depend on himself and that his methods were of no concern to the nation was driven home. The wheat area dropped from upwards of four million acres in 1860 to 1,898,863 acres in 1900, and its price from 53s. 3d. per quarter to 26s. 11d.

Such then was the position at the commencement of the present century, and although there was some revival of agricultural prosperity before the war, it was based not upon any swing back to the methods of the 'sixties, but to the fact that the new generation of farmers were adapting themselves to the new conditions and adopting systems of cultivation which reduced their risks to a minimum. One cannot blame them, for as Sir Daniel Hall, K.C.B., the present Secretary of the Board of

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**Agriculture, says in the preface to his *Agriculture After the War*:—**

"A man may be a first-rate farmer as regards his own personal success and yet be pursuing a policy inimical to the intimate welfare of the State. Before one attaches any blame to the current race of farmers one must consider the extraordinary crisis through which they have passed in the last thirty years without attention or assistance from the State, then one will be more inclined to praise them for having continued to remain in existence at all."

The war, however, threw a new light on the relationship between the State and the agricultural industry. In 1914 we depended on foreign supply for 78 per cent. of our total consumption of wheat and flour, and expended over two hundred and fifty millions sterling on imported feeding stuffs. Even before the submarine menace became acute, the demands upon our mercantile marine and the consequent rise in freights, together with the effect of so huge an adverse balance on our exchequer, gave rise to anxiety and a marked increase in prices. But with the development of the undersea blockade our position rapidly became worse, until in 1916 it was described by the President of the Board of Agriculture as that of a beleaguered city. The stream of food from distant lands began to show signs of giving out, and it became obvious that if the country were not to be starved into submission a far larger amount of staple foods would have to be produced within the circle of our own shores. The Food Production Department and County War Agricultural Committees were set up, and were given extensive powers under the Defence of the Realm Acts to insist upon more land being brought under the plough, essential crops taking the place of those whose growth was less imperative, and badly managed land being brought under a better state of cultivation. The industry which had been forgotten by three generations of politicians was found to be indispensable in the national need, and was subjected to perhaps the closest control of any in the United Kingdom.

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The question now to be considered is whether a continuance of that control will be justified after the war, and the answer must depend upon whether future Governments are satisfied with the position in which agriculture was found at the outbreak of hostilities, a position which but for the readiness with which the farming community threw themselves into the breach might have resulted in national calamity.

I venture to think that there can only be one reply to that question. We cannot foresee what further developments there may be in undersea warfare; as an island country, we dare not risk being cut off from our food supply; and although we cannot look to be self-supporting, we should, at least, be able to produce at home a sufficient quantity of staple foods to make submission, as the result of a temporary squeeze, impossible.

That this could be done no one conversant with the capabilities of our soil and climate and possessing a knowledge of agriculture will deny. But the sons of the men who were ruined in the depression of last century cannot be expected to undertake the risks which would accompany a return to arable farming in the event of the country again leaving them to stand unaided against unlimited foreign competition. It is a question of national insurance, which both the producer and the public must deal with on business lines. The farmer can deliver the goods if the latter will guarantee a price for them which will secure him from loss in the event of a break in the markets due to foreign combinations.

The Prime Minister has recognized the justice of the attitude taken up by farmers, and in placing the Corn Production Act on the Statute Book has taken the first step towards restoring confidence to the agricultural community. A guarantee has been given that for six years from the passing of the Act the prices obtained for home-grown wheat and oats shall not revert to the unremunerative level of the 'nineties, and we can only hope that the lesson of the war has been thoroughly learnt, and that the policy thus inaugurated may be consistently followed by future Governments.

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At the same time such a policy carries with it corresponding responsibilities to the farmer. If he is to be secured against loss, he must, on his part, carry out his share of the bargain, and must so cultivate his land as to provide what the country needs. This, too, is recognized in the Corn Production Act, Part IV of which gives the Board of Agriculture wide powers to secure the proper cultivation of the soil, and to dispossess persons who fail to manage their land in an adequate manner. Part I of the Report of the Agricultural Policy Sub-Committee of the Ministry of Reconstruction, of which the Earl of Selborne was chairman, shows how this might be done, and the recommendations there made have met with general approval. Part II of the Report makes other recommendations dealing with the organization of the Departments of Agriculture, co-operation, agricultural education, the amendment of the Agricultural Holdings Acts, reclamation and drainage, etc., all of which will necessitate far more State interference than has been customary in the past.

The war, however, has shown that the relationship between agriculture and the national safety is far too intimate to allow the old hap-hazard methods to continue. The State must see to it that fuller use is made of the land in future. The producer must be freed from risk of loss arising from causes other than those ordinarily attendant on his business, and must be prepared to submit himself to such supervision as may be necessary to ensure the public receiving the *quid pro quo* in respect of the security thus given. Such a policy need arouse no fears in the breasts of good farmers, rather they should be able to follow their vocation with confidence, and freed from the gravest of the anxieties which afflicted their predecessors. For the slovenly and incapable farmer the country will have no use.



## **STATE LEADERSHIP OF AGRICULTURE**

BY

**STANLEY M. BLIGH**

STATE control of agriculture during the war has been in the nature of a series of emergency measures considered necessary to meet difficulties as they arose. Such State control after the war can only be effective and produce good results if it aims at carrying out a well-considered policy, which is supported by public opinion, including that of the classes engaged in farming and food production. Up to the present no really comprehensive and stable policy has been worked out.

It is generally agreed that much of the land in the United Kingdom was before the war comparatively unproductive. Differences of opinion arise when one begins to consider what form increased production should take. During the war, bread, corn, and potatoes were urgently needed. Every one agreed that they must be produced rather than imported from abroad as far as this was possible, even though internal production increased the cost to the consumer. But after the war what will be the choice of the electorate with regard to agricultural production? It may be decided that the country shall attempt to produce most of the bread corn required for its use. On the other hand, it may be decided that it would be wiser to concentrate our efforts on other forms of agricultural production, and to import bread corn. On the decision between these alternatives the whole of our future policy will depend.

The advocates of the internal production of bread corn dwell upon the importance of our being self-supporting. They will, however, have to admit that

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this policy is a very expensive one. It is notorious that bread stuffs can be imported for less than they can be grown here. It is alleged, and supported by recent experience, that this course, even if expensive, is the only line of safety. In answer to this, it is contended that we should be ready to produce bread corn if occasion requires it, but that we need not incur the cost of doing so on any large scale as a matter of ordinary routine.

The truth seems to be, that unless a League of Nations can make continuous peace, humanly speaking, perfectly secure, we shall have to be ready to be self-supporting at any future crisis. This is a very different thing from being habitually self-supporting. Indeed, by what may seem a paradox to those who have given no particular thought to agriculture, it is almost its opposite. Continuous corn-growing on an extensive scale exhausts land. What we need is land in a high state of fertility, cleared of all hindrances to corn-growing, such as those which prevent its immediate ploughing. Given these conditions and the necessary plant, we can grow the corn whenever the exigencies of any future war require us to do so. For this policy we should of course need, in addition, such a store of corn as would enable us to tide over the time until our own corn could be grown. This would mean about a year's supply. We should also have to ensure that implements for cultivation, such as motor ploughs, should be available, and be capable of mobilization without undue delay.

If any such policy as has been outlined commends itself to the sense of the country, a much greater degree of State control of agriculture will probably be freely accepted by all concerned than would otherwise be the case. If there is a difference of opinion between one school of thought in favour of our being continuously self-supporting, and another in favour of our preparing to be self-supporting should the need arise, then there may be friction, and State control may be resented as working towards an ideal unaccepted by many.

Assuming that general fertility and the keeping of

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land in a condition in which it can be readily ploughed is to be more or less enforced by State control, but that actual corn-growing is, during peace time, to be left to the option of the individual, it is probable that the necessary preliminary to any wise system of State control would be a somewhat elaborate agricultural survey. As the result of that survey, it would be found that a certain proportion of land was both fertile and productive. It must always be remembered that we are the leading breeders of pedigree animals, and much land is rightly devoted to this purpose. It is of the most fundamental importance, both to us as a nation and to the world at large, that this great enterprise should prosper. It is of such a nature, depending as it does for success on high qualities of intuitive judgment, that it would be hampered, rather than assisted, by State control, but it might be encouraged by State support, and guided by State research.

But below this favoured portion of land which leads the world in the production of pedigree stock, are the inferior grades of land unsuitable for this purpose. For these, some measure of State control is necessary, lest they fail to produce as much as they ought. The reasons for their unproductive condition are roughly ignorance and hopelessness. They are avoided both by those who have capital and by those who have the higher kind of agricultural intelligence, because from the economic point of view they are comparatively unremunerative, and from any other point of view are lacking in interest. To such an extent had this gone before the war, that the very lowest grades were, to all intents and purposes, derelict.

As soon as all the derelict or comparatively unproductive land has been marked on a reliable Government survey, State control might begin to deal with it. The essential principle should be to keep this control thoroughly helpful and sympathetic. To take any other line, as for instance to make drastic regulations and enforce them by severe penalties, would only antagonize the farming classes and lead to reaction, if not actual

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conflict. What has, owing to a spirit of patriotism, been willingly accepted in war time, would, in peace time, be met with the most violent opposition. The Government which desires to increase production should lead, but never bully.

It would probably be best that in the first instance this State leadership should take the form of Government demonstration farms. They should be numerous enough to show the best type of farming or market gardening, in relation to all the chief conditions and variations of climate and soil. They should face the really difficult propositions, not those only which were favourable. They should make an outstanding feature of trying to discover what are the most ideal conditions of rural employment and housing which are practically possible without involving economic loss. In this sense they should be social laboratories. They should grapple with the problem of the actual costs of production under particular circumstances. They should show the latest improvements suitable for adoption in their own districts of stock, crops, machinery, and labour methods. Managers should be appointed of the highest available quality, and with the best scientific training, coupled with practical experience. Neither slackness nor failure should be tolerated.

After the survey had been made, and the demonstration farms had been set on a secure working basis and could show results, the State would be in a position to set a standard and enforce it. If it were proved that State-managed farms were markedly more efficient than those privately managed, it would be desirable to enact that continuing failure to make land come up to a certain standard of productivity entailed surrender of such land to the State at a price to be fixed by arbitration.

A class of land exists, often situated in the more picturesque parts of the country, which it seems is a problem apart. For one reason or another its productivity is almost nil. It has got a bad name, and no one, since it went out of cultivation, perhaps seventy years ago, has been found who is willing to undertake its

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reclamation from purely commercial or economic motives. The risks are too great and the returns too uncertain. Sometimes, by the help of new methods and acting under skilled scientific advice, good results can be had from reclaiming this class of land. More often, perhaps, money would be lost. It is quite frequently covered with gorse or scrub, or for some reason requires a considerable expenditure on manual labour before a plough can work upon it. The national interest seems to require that such land, if not definitely afforested and so made to produce timber, should at any rate be cleared and cultivated at least to the extent necessary to make it fit for regular grazing in peace time, and ready for further ploughing and more intensive cultivation should another war come upon us.

It seems, therefore, that the State might well encourage the reclamation of land of this description to the extent above indicated, by giving certain facilities for acquisition by public-spirited individuals or associations, and by grants for the conveyance of those engaged on the work. In specially necessary cases, direct State control might be advisable, mainly as an educational measure. The war has taught us a large proportion of our population, girls as well as boys, may be required at a time of crisis to assist in food production, as well as to undertake military service. Elementary training in the main processes involved is almost as necessary in the national interest as is some training in the use of arms. It could very well be given without undue public expenditure. It would contribute immensely to the strength and physique of the town populations, if the practice were established that a proportion of them during the later period of their school life should spend a few weeks each summer in camps or hutments undergoing a training in the various kinds of manual work necessary to bring land under cultivation, and to grow on it afterwards the simpler kinds of crops which would contribute to the food supply in case of need.

As a result of such initiative on the part of the State, it could be expected that the fashion would be set in

favour of such work by individuals with some capita who might eventually prefer some labour on the land during their holidays and their week-ends to the amenities of conventional pleasure resorts. The work would, when once started, become interesting. The difficulties of transport and accessibility would be overcome by the more general possession of cheap and reliable motors. The urban population would learn something of the real difficulties of food production, and might in favourable cases grow a considerable part of their own supplies. The divorce of interest and type of experience between the town and country would be lessened, and a greater degree of sympathy be established between them. Those who wished to fit themselves for colonial life would, in the wilder parts of the country, have considerable opportunities of doing so.

The old system, under which a large part of the land of the country was owned by one class, but occupied and farmed by another, was, even before the war, gradually breaking down. The frequency of sales of land, particularly to existing or intending occupiers, seems to have been increased by war conditions. It will probably go on to a greater extent now that the war is over. It should be encouraged in every possible way. Under conditions where small holdings are likely to prove an economic success, special facilities might well be provided by the State. In view, however, of the weight of opinion in favour of the view that under the conditions usually prevailing the small holder is inevitably at an economic disadvantage as compared with those able to operate on larger scale, great care must be taken not to arouse expectations which, when they meet with the disappointments which are only too frequent, would be liable to arouse serious discontent.



***POLITICAL VIEWS***



**A.—POLITICAL REFORM.**

**STATE ARBITRATION PERIL.**

**HILAIRE BELLOC.**

**B.—FREE TRADE.**

**STATE CONTROL PERIL.**

**HAROLD COX (Editor, *Edinburgh Review*).**

## **A.—POLITICAL REFORM**



## STATE ARBITRATION PERIL

BY

HILAIRE BELLOC

WITH regard to the three questions you put to me :—

1. I think the situation immediately after the war, as regards State regulations, will be something like this :—

The professional politicians, who are now of a lower standard of honesty and ability than any of our statesmen in the past, have created a vast body of vested interest in any public salary, power, and place which it is strongly to their interest to maintain. The number of salaried posts of which they have had the gift, and which they are maintaining out of the taxes, over which, moreover, there is and can be no public control, is in proportion to the population immensely greater than in any other State. I cannot believe that this vast mass of people under the salaries will be dissolved. I think the State regulation will be kept up as far as possible, subject only to the fear that exceeding beyond a certain limit might lead to a popular outbreak.

It is to the advantage of those who govern to create this maximum of salaried places, and the larger the body thus created, the less chance there is of the people having any control over it.

As to your second question, the answer seems to me to be undoubtedly conditioned by the subject to which it is applied. For instance, State interference with domestic habits, like eating and drinking, is intolerable. But not only State interference, but the closest State control over public communications, is an obvious necessity. It has never seemed to me possible to draw

## State Arbitration Peril

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up a theory of limits of State interference, save upon the very rough rule of direct necessity. That seems to have been the rule all through history.

There is another aspect of this point which is, that the amount of State interference desirable varies very much with the type of government. It is clear, for instance, that a popular monarchy, effectively exercised and supported by the general will, may interfere more drastically and with less evil effect than a corrupt parliamentary oligarchy.

The third question is equally difficult to answer, from its general character. The question of what measure of type of control should continue in the economic interests of the country, seems to me to demand a distributed answer—that is, an answer that can only be given in the case of each type of energy relative to the conditions of that type. There is here, however, a negative point of highly practical importance that everybody should bear in mind, and that is the vital necessity of keeping State control *away* from the settlement of economic disputes between the proletariat and the capitalist.

If we have the State—that is the caucus—its paymasters and its servants determining as arbitrators or by special legislation the limits of the claim the proletariat may make you are directly establishing servitude, for no power on earth can prevent an executive parliamentary system from being the servants of plutocracy.

The one department into which we must *not* allow State control under any pretext is this department of arbitration or settlement between the owners of land and machinery and the dispossessed masses of the population, and this particularly applies to the parliamentarians who appeal for votes on a democratic ticket.

## *B.*—FREE TRADE



## STATE CONTROL PERIL

BY

HAROLD COX

IN the letter that accompanied your questionnaire, you say that "the traditional unity of business and politics in Germany is bad for the world, and that the two conceptions of national patriotism and business ought to be dissociated." I have dealt specifically with this point in two articles for the *Edinburgh Review*. One that I called "The Two Paths of Empire," appeared in April 1917, and the other, called "Commerce and Empire," appeared as recently as October 1918.

There are two widely differing conceptions of commerce. According to one view, which is usually stigmatized by a certain school of politicians as Cobdenism, trade, whether national or extra-national, is the affair of the individuals who engage in it. France does not trade with England; it is Auguste Lesage who trades with John Barclay. If the bargain is a good one both are satisfied, both are richer than before, and—in default of evidence to the contrary—the presumption is that each nation gains by the increased prosperity of its respective citizens. According to the other view, extra-national trade must be looked at primarily as an affair of the nation as a whole. Individuals must not be left to seek out the most profitable bargains they can make with the subjects of other States; they must be partly coerced and partly bribed into directing their trade into certain restricted channels which are presumed to be more advantageous for the nation as a whole.

Both views are fairly old. The system of imperial



## State Control Peril

preference advocated of recent years and our old colonial system differ in detail, but the fundamental principle is the same. One reason for the proposal to revert to principles which were deliberately abandoned by the nation after more than a hundred years of experience is to be found in the anxiety produced by the war-time submarine peril. Looking at the matter broadly, there does not appear to be any sufficient ground for the belief expressed in some quarters, that the development of submarine warfare has completely altered the character of the war problems with which we have to deal. On the contrary the losses inflicted by the enemy on our shipping during the present war are proportionally less than the losses we suffered during the Napoleonic wars. This does not mean that the submarine peril can be ignored: it only means that we should do wisely to take a level view of it. But the submarine peril is—so far as the particular question of imperial preference is concerned—a false scent. It leads nowhere, except to the proposition that the British Isles must entirely give up their oversea trade, both with foreign countries and with British possessions, lest in some future war some still more terrible submarine should make all sea trade impossible. The really relevant consideration is of quite a different character. It is two-fold. In the first place there is a danger that during peace a potential enemy might obtain a commercial grip upon some industries essential to our national life, and in the second place there is the danger that, during war, neutral countries might be terrorized or persuaded by our enemies to the extent of refusing to supply us with necessities previously purchased from them. Both these dangers have been illustrated during the present war.

In both these directions there is a danger that ought to be carefully weighed. Its existence furnishes a valid argument for examining afresh the policy of the open door, which has been the basis of our national and of our colonial system for three-quarters of a century. Under that policy the wealth of these islands has grown at a rate unparalleled in our history. Our population,

our shipping, our manufacturing industries, our international banking business, have all increased enormously. At the same time, the comparatively small Empire that remained to us after the revolt of the American colonies has, during the era of the open door, grown without ceasing, till now the British Empire, taken as a whole, possesses a greater population, a more extended commerce, and more realized wealth than any other national unit within the world. These facts should make us cautious in adopting any fundamental change of system; they do not prove that we ought to refuse to consider specific changes which may be suggested by the revelation of the new dangers.

This problem is common to the Allies. In July 1916, the then Government of the United Kingdom appointed a Committee to "consider the commercial and industrial policy to be adopted after the war, with special reference to the conclusion reached at the Economic Conference of the Allies," held in the previous May with a view to considering the possibilities of combined action. The Committee were instructed to have special regard to questions on what steps should be taken to safeguard and promote the best interests of our future trade, industry, and commerce. After sitting for six months, this Committee suddenly addressed to the present prime minister a letter enclosing resolutions in favour of preferential tariffs. No attempt was made to show how this principle would affect the problems which the Committee had been appointed to consider. The reason they gave for issuing a sudden pronouncement on an extraordinarily complex and difficult problem, was, in plain words, that colonial preference was to be set up not on its merits, but because the Dominion premiers had asked for it, and because the Committee thought that the colonies ought to be paid for their loyalty. The insult to our fellow citizens, whose homes are across the seas, though presumably unintentional, is obvious.

Very different has been the action of another body appointed to deal with similar problems. The Dominions Royal Commission was appointed in April 1912, in con-

## State Control Panel

sequence of a resolution passed by the Imperial Conference in 1911. The business of the Commission was to inquire into, and report upon, the following subjects :—

(a) The natural resources of the five self-governing Dominions, and the best means of developing these resources.

(b) The trade of these parts of the Empire with the United Kingdom, each other, and the rest of the world.

(c) Their requirements, and those of the United Kingdom, in the matter of food and raw materials, together with the available sources of supply.

During its five years' existence this Commission has travelled round the self-governing Dominions, so that the members of it have been able to see with their own eyes the greatness of the Empire, and to get into personal touch with the men who are helping to make the Empire greater still. Not the least valuable part of the final report of the Commissioners is contained in the opening pages, where the Commissioners paint in glowing words a picture of what they themselves have seen. This wide survey of our Empire leads up to a detailed examination of the natural resources of each of the self-governing Dominions. Specially interesting is the analysis which the Commissioners make of the more important raw materials required by the human race, and of their distribution within the British Empire. They divide these materials into three groups : (1) those mainly or wholly produced and controlled within the Empire ; (2) those of which the Empire's requirements are approximately equal to the Empire's production ; and (3) materials mainly produced and controlled outside the Empire. As regards the first group of articles, of some of which, nickel, cobalt, asbestos, mica, diamonds, and jute, the Empire has a practical monopoly, and of others, palm-nuts, plantation rubber, the major portion of the world's supply, the Commissioners point out that no extraordinary measures are needed to encourage further development. "The Empire's needs are fully met, and a large export trade is carried on with the outside world." But "it might become desirable to

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use the possession of these assets as an instrument of commercial negotiation," much in the same way that Germany has used her possession of a monopoly of the supply of potash to bring pressure to bear upon other countries. In the second group are such commodities as wheat, meat, butter, wool, and cheese. In most of these the Empire is approximately self-supporting. In this group are also included certain minerals, which, before the war, had passed under the commercial control of foreign countries. The Commissioners rightly urge that steps should be taken to prevent the renewal of that control after the war. The third group comprises the articles, the supply of which within the Empire is insufficient for the needs of the Empire. Though it is suggested that a more careful survey of the Empire may lead to further discoveries, it is more than probable that the Empire will remain dependent upon foreign countries for several essential commodities. So far as these are concerned, the Commissioners properly insist that, "in the general interests of the Empire," we should draw our supplies, whether they be required for civil or for military use, "from as many sources as possible, and not depend on a single foreign country."

All this is practical wisdom. Equally sound is the broad general principle which the Dominions Royal Commission lays down as the necessary basis for an imperial commercial policy :—

"In our opinion it is vital that the Empire should, so far as possible, be placed in a position which would enable it to resist any pressure which a foreign Power, or group of Powers, could exercise in time of peace or during war in virtue of a control of raw materials and commodities essential for the safety and well-being of the Empire, and it is towards the attainment of this object that co-ordinated effort should be directed."

Contained in the report is a proposal to place the many varied problems of production and exchange within the Empire under the control of one central board. This proposal suggests very grave dangers. It is, however, a good deal more cautious than the scheme launched

## State Control Peril

by Mr. H. Wilson Fox with the approval of several well-known public persons. The primary idea of Mr. Wilson Fox is to employ the direct agency of the State for the development of the resources of the Empire with a view to obtaining revenue. The extent to which the distinguished Committee formed to advocate Mr. Wilson Fox's scheme is prepared to go in the direction of State socialism may be gathered from the following paragraph of their manifesto: "The Committee include in their plans that the State should derive a revenue by assisting in the provision of certain public facilities, such as electric power, and in the distribution of certain commodities, and especially of certain articles of food, with the double object of cheapening the cost to consumers, and of deriving a revenue therefrom."

The record of the British State in its dealings with electricity up to the present time is not an exhilarating one. In 1870 the State acquired possession of the privately built-up telegraph system of the country on the promise that the whole of the capital cost would be repaid in fifteen years out of the profits, and that after that period there would be an ever-increasing revenue to relieve the burdens of the taxpayer. The reverse was the case. In the last years of peace the aggregate loss upon the telegraphs had risen to not less than £1,400,000 per annum. Meanwhile, the telephone had been invented. During many years the State, in order to protect its telegraph monopoly, did its utmost to stifle the development of the new invention. Finally the State bought up the telephones, with the result that the whole of the handsome tribute of over £350,000 a year which the National Telephone Company was gratuitously paying the State, vanished at once, and within three years the income collected by the State barely covered outgoings.

The primary objection to State control of industry is that the State controllers must ultimately or immediately themselves be controlled by political influences. From that law there is no escape. The authority of the State is exercised through Parliament. The life

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of the executive Government depends upon the goodwill of the House of Commons, and to secure that goodwill it is necessary for the Government to defer in little things, as in big things, to influences, which can be brought to bear by members of that House. Sometimes the cause of parliamentary interference is a great popular movement; sometimes it is the desire of active supporters of the Government to obtain favours for themselves, or to appease a few noisy constituents. But, whatever the motive, the interference, or the possibility of interference, is always there. As a necessary consequence, the conduct of a business directed by the State is liable to be deflected at any moment from the purpose of earning a profit to the purpose of placating a politician.

In addition, there is the equally fundamental and irremovable difficulty that employees of the State have not the direct incentive to industry and economy that private enterprise gives. The head of a private undertaking knows that if his business fails his income goes; the head of a Government department knows that whatever happens to the business under his control his income is secure until he is ready to retire upon a pension. Similar considerations affect subordinates. A junior in a private firm knows that, if he distinguishes himself by industry and intelligence, chances of rapid promotion lie before him; a junior in a Government office knows that promotion can only come to him through the slow creeping years that lead to seniority. Nor do the men who serve in the ranks—the junior clerks and the manual workers—escape the deadening influence of State management. In a private business, a clerk or workman who habitually idles is discharged; in Government service, dismissal for idleness or incompetence is almost unknown. Once engaged, always engaged, with the result that the "government stroke" has long been a byword.

Until some way has been discovered of dealing with these fundamental defects of State enterprise, it is certain that State control, though it may in some directions be necessary, will not yield money; it will cost money.

## **State Control Peril**

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That money can only be found by taxing the industries remaining in private management. Thus every fresh extension of State control means an increase of public expenditure and a diminution of the sources of public revenue. If the process be continued till the greater part of the industries of the country have passed under the control of the State, we shall be faced with national bankruptcy. Then after much internal suffering, and the loss of most of our overseas trade, we shall start afresh on the basis of freedom, and slowly try to work back to the old prosperity which the Dead Hand of the State had destroyed.

*SOCIOLOGICAL VIEWS*



**A.—TOWARDS A REAL DEMOCRACY.**

VICTOR BRANFORD, M.A. (Editor, *Sociological Review*).

**B.—THE SOCIOLIZATION OF FINANCE AND INDUSTRY.**

MRS. VICTOR BRANFORD.

**C.—HISTORICAL ASPECT OF PEACE AND WAR  
INDUSTRIAL CONTROL.**

MISS B. L. HUCHINS.

**D.—THE STATE AND CHILD WELFARE.**

MISS MARGARET MACMILLAN, C.B.E.

#### **A.—TOWARDS A REAL DEMOCRACY**



**Victor Branford, M.A.**

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## **TOWARDS A REAL DEMOCRACY<sup>1</sup>**

BY

**VICTOR BRANFORD**

**WHAT are to be the Limits of the State Control of Industry?**

In dealing with this question it seems necessary first to raise two preliminary points. One is as to the value of the Representative Principle, which takes many forms, of which the most questionable and the most frequent is the habit of substituting for self-governing groups the government of any group by another outside group, only in touch at second-hand with its needs and possibilities. This tendency increasingly prevailed throughout the nineteenth century. For example, compare the modern government of colleges and universities by boards of governors as contrasted with the earlier self-government of such institutions. This tendency, in so far as it moves away from the self-government of small groups, violates the principle of direct responsibility, which seems to me fundamental. The clash of these two principles is seen in that duel of State Control v. Direct Action, which, during the past half generation, has become increasingly the central issue in politics.

The second preliminary point is as to the nature of the State. In this difficult but vital question one must go beyond the presuppositions both of "practical politicians" and of academic thinkers.

<sup>1</sup> Written before the close of the war, this paper raises certain questions (such as "What to do with the national munition factories?") which have been answered by the march of events. But the manner of the asking may remain as a criticism of the attitude of the public and the response of the Government.

## Towards a Real Democracy

In *The Coming Polity*<sup>1</sup> it is suggested that the modern expansionist State is a sort of masquerade of metropolitan cities, enlarging their claims at the expense of their "provincial" cities and regions, and doing this through the attraction to the metropolis of the "governing classes" throughout the country, and the development there of great centralized administrative bureaux which stretch their tentacles everywhere, and work in the direction of ever greater centralization in the metropolitan city.

On this assumption the State, therefore, is to be distinguished sharply from the nation. It is a method of organizing the nation by some sacrifice of the interests of the provinces to the metropolis.

In a financial age such as ours this centralizing power of the State will tend to gravitate by indirect and circuitous ways largely into the hands of "profiteers" of all sorts, interested mainly in forms of financial exploitation often so complicated and tortuous as to defy discovery of its tracks.

Under these circumstances one's *a priori* dislike of any extension of State interference with trade, commerce, and industry will therefore be indefinitely increased by observation of such tendencies.

This is not to say that the pre-war individualism and class rivalry in trade, commerce, and industry should be continued, but rather that an endeavour should be made towards that third alternative, so difficult to find and yet so necessary for progress towards a better state of society. This we shall naturally look for by way of the self-direction of productive groups working in relation with three other types. These are :—

A. Voluntary associations (e.g. of consumers);  
next

B. Civic and regional administration; and finally,

C. State administration.

<sup>1</sup> The experience of the war has done much to show

<sup>1</sup> *The Coming Polity*, by V. Branford and P. Geddes. Second edition, 1919. Williams & Norgate.

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us how such groups can be created (as it were the cells of the future organism), out of the materials present in any factory. The effect of the war was, so long as it lasted—

(a) To generate a common heightening of emotion among the producers.

(b) To substitute for friction and disruptive tension a condition of what the electricians call "high potential."

(c) Thus to bring about an immensely increased output.

(d) And thereby to make ample reward to be received by all concerned.

If it is objected by any that, on the contrary, friction appears to have increased during the war, as shown by e.g. the shop steward movement, the reply must be that on the whole the matter must be tested by the results, and that since the output has been so remarkable we must assume that the friction, though much talked of, has been slight in comparison with the customary condition of friction existing before the war. The truth is the national output increased, possibly many times, and this in spite of the withdrawal of four or five millions of able-bodied males who were either abroad or taken away from their usual industrial occupations.

How can one account for this seeming miracle? Partly because of the employment of the hitherto unemployed classes, but the essential cause was *a change in individual motive and in national purpose*.

People were working for life, for use, for livelihood, above all, for their country.

Feeling, thinking, acting together results in an increase of energy, as does playing together. It is just team-play in business—it is *playing the game*, the game of the nations.

As the Mechanical Principle resulted in the Mechanical System of the old Industrial Revolution, so the Vital Principle of the new Industrial Revolution was producing a more Vital System.

## **Towards a Real Democracy**

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How then were wages and profits being adjusted under this more Vital System?

They were adjusted with some friction and much grumbling, resulting even in strikes, but all this dissatisfaction and strife were merely surface eddies on the incoming tide.

Take, as a sample, the case of the Army Contracts Department, a department of the War Office largely run by civilians, the efficient members of whom were chartered accountants, who are a kind of public analyst. It was the chartered accountants who fixed the rate of profits by going through the books of the manufacturers, and seeing exactly what was the cost of production at each stage in the making up of the raw material into the finished product. Based on these figures, a fair profit or commission is allowed at each stage. In this way, since the Contracts Department got into working order, fair contract prices were fixed, and in doing this, care was taken to fix a fair rise in the wages of the workers so as to enable them to meet the enhanced cost of living.

This way of adjusting wages and profits introduces a new principle which might be called Social Accounting. The old system was that of the higgler, the new, that of the public analyst.

There is not a decent business of any size in the country that does not possess this type of analyst on its staff. When he is in business for himself he is usually called an auditor. This is the newest and most scientific of organized professions. It springs from a union of the actuary and the book-keeper. The actuarial business was the first to use scientific methods, two centuries ago in Holland, then in Scotland, then, at a later period, in England and other countries—the smaller nations, as usual, leading the world in the arts of peace.

The war lessons, then, are :—

- (a) *Produce for use, not for profit.*
- (b) *Produce as a team and not as competitors.*
- (c) *Use the method of Social Accounting for effecting equitable distribution.*

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In the maintenance of this three-fold point of view lies the clue to industrial peace after the war. We must work seriously at the detail involved. We must try to get workers and employers to concentrate on this outlook and intention. Let them not listen with the old docility to the legalistic discussion of these questions of wages and profits by barristers and politicians, journalists and economists, whose minds belong to the times before the accounting analyst came into being.

We want to do away with the archaic, sterile, and endless discussions concerning capital and labour, and substitute for them serious studies and judicious experiment throughout the whole field of national energy.

We must deal no longer with capital and labour, but with labourers and capitalists--no longer with an abstract consumer, but with households, and the men, women, and children who make up those households--no longer with a vague and mystical "State," but with the living villages, towns, and cities that go to the building up of our country and empire.

Again it is one of the great social inventions or discoveries of the war that a *beginning was made towards utilizing the higher human qualities in the new war economy.*

Let us imagine the new system as, in the last year or two of war, at work. The public has not been told much about it by the Government, but one picks up impressions and facts. Putting these together one gets a picture something as follows.

First there are the huge Government establishments. There are new ones like Gretna, out-distancing Woolwich many times. What is to be done with these and their equipment of automatic machinery, imported from America, or made here at a cost of millions, is one of the big problems now presumably being settled. Then there are thought to be five thousand of what are called "controlled" factories, but these are only part of the new system.



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There are, for instance, entirely new types, called, I believe, "instructional" factories; a significant, new kind of institution—a sort of compound of technical college and factory. Intermediate between these and the old technical schools are the new "training centres," established by the Government, with the aid of the pre-existing technical schools and colleges, of which, indeed, they are just an extension.

Those fortunate enough to pay a visit, for example, to one of the training schools for girl munition workers saw that these girls were proud of their uniform, by their smiling faces and dignified bearing. It is precisely the opposite effect that one gets from any of the institutions of the old industry—e.g. a factory with its row upon row of slatternly "hands," or a board school, with its bear-garden of pushing, shoving, yelling little hooligans, confined within high walls to a small cemented court in which animal spirits necessarily vent themselves in hooligan-like ways. Of the same type clearly as the factory and the board school is the gaol, with its inmates dressed as much alike as automatons, and correspondingly regimented. Nothing could be in sharper contrast to all these types of old industrial and "social" institutions than these new training centres.

To see these workers during their leisure hours was rather like going to a garden party. Each girl is an individual, because each is at her best, instinct with life and vivacity. True, they wear a uniform, but this uniform is worn, not as a badge of servility, but as a blazon of honourable service—their uniform, though not the King's, is yet worn for the nation's work.

This is *the spirit of the new industry* at its best. How far it was carried into the succeeding institutions, namely the instructional factories and the other official or semi-official factories, I cannot say, not having visited them. But the point is, that under the conditions assumed, it is possible for that spirit of proud and dignified national service to get into and to dominate the system from top to bottom.

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The two systems come sharply to a contrast as typified in the persons of the engineer and the profiteer. The former is the natural director of the new system, and the latter of the old. In saying this, one must, of course, take the engineer at his best, and not in the perverted form in which you so often find him when seduced from his natural ways by a prolonged association with the profiteer.

In his natural ways the engineer is like the doctor or the nurse, the cook or the carpenter. All these, from long, natural habit, and from innate human intention, concentrate their efforts on the job in hand, whether it be curing a sick man, cooking a dinner, or making a chair. They want, of course, to receive a proper remuneration, but that is secondary and incidental to getting the thing done and doing it in a workmanlike way.

That the spirit of the new industry has not only invaded the economic system, generated by the war, but has quite formally and definitely established itself therein, is testified to by the new kind of honours list promulgated in 1917. Amongst those awarded distinction are both men and women, selected from munition workers and the ranks of those serving in factories, engaged in war-work.

Thus must the spirit of the new industry, when it is given full, free play, inevitably transform what non-labouring writers and politicians term "the dignity of labour" from an empty, lifeless phrase into a full-blooded, vital reality.

How can these lessons of the war be applied under peace conditions?

Some kind of machinery, whether that of the Whitley Report or something more in the nature of guild organization, is needed, but machinery is merely a method of working when once the sequences mentioned above (pp. 186-8) are started. The State can help somewhat to put the clutch in to start the sequence, but can it supply the necessary electric spark?

The electric spark is supplied by a vision in the

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mind of the worker and an impulse in his heart, in which there are several elements:—

(a) The instinct of workmanship, the workman's pleasure in initiating a process and making it proceed smoothly to the issue of the finished product.

(b) The joy of having created a good product.

(c) The pleasure of the creative act being recognized by his fellow workers, and beyond them by the public.

(d) The pleasure of working with and for his fellows in the pursuit of a common aim and with a share in the common responsibility for its direction.

(e) The reward in being able to claim goods and services from the general output, in other words, the money wage and its conversion into real wages in a rich environment. A house pleasant to look at, comfortable to live in, useful and beautiful furniture, good and well-cooked meals, a sufficiency of outside service to leave the women of the family a proper amount of leisure, so that they can behave like women and not slaves, and the placing of the house in a cheerful street in a pleasant garden, in a beautiful and efficient city, in a rural milieu of health and beauty to which you and your family have constant and easy access.

(f) The feeling that the whole thing is a design and that your part is integral to the whole, that you are doing your bit to create Eden.

To sum up. The wheels of industry run smooth and strong, according as certain tracks are laid and a certain impulse is given. There must be in the mind of the worker an image of the labour-product as something touched by the spirit creative; there must be a sense of the labour-process as an occupation humanly worth while; and there must be vision of home and family, neighbourhood, city, and nation, enriched by his labour and its product. The point is that the presence of all these impelling conditions facilitates the adjustment of wages and hours, as much as their absence aggravates the matter. While given their contrary, as was too

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much the case before the war, no solution of the industrial problem is possible in terms of wages, hours, profits, organization.

What part can the State play in helping people to have that vision and in ensuring its realization?

This is a question first of goodwill, next of comprehensive planning, and thirdly of detailed, honest administration in those matters left to the State, but it must not be forgotten that the natural outcome of such a system will be that State administration will be much curtailed and supplemented by: --

(a) The associated groups referred to, and other voluntary associations.

(b) Civic and regional administration.

Only in so far as the grasp of the centralized State over cities and regions is relaxed and they are allowed freedom of expression and development can a large part of this ideal be realized.



***B.*—THE SOCIALIZATION OF FINANCE  
AND INDUSTRY**



**Mrs. Victor Branford**

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## **SOCIOLIZATION OF FINANCE AND INDUSTRY**

BY

**MRS. VICTOR BRANFORD**

"WHAT, in your opinion, is the wisest policy to be pursued in the highest interests of trade, commerce, and industry?"

The wisest policy in the highest interests of trade, commerce, and industry will aim, on the one hand, at enabling the masses of the population to enjoy, in a much larger degree than heretofore, the material benefits of civilization, together with its amenities, and on the other at dignifying their status by giving them better training for work and larger education for life, together with opportunities of advancement in their careers.

This involves a considerable redistribution of wealth, together with a greatly increased production of real wealth in substitution for the general squalor which has been our heritage from the industrialism of the nineteenth century.

If these ends are to be attained, it will, as it seems to me, be necessary both to limit State interference with industry, and to put an end to "capitalism." By "capitalism" I understand the system under which

(a) On a comparatively small basis of real capital vast claims against future output are built up through various methods of inflation.

(b) "Capital" is supposed to take the risks and to employ "labour" at a fixed remuneration.

I desire to substitute a system of socialized finance under which capital shall be really "the reward of thrift," and which shall, by a method of insurance



## **The Socialization of Finance and Industry**

against risks, need only to pay a small regular return for the use of such capital.

Labour, both of hand and head, organized in national guilds, will be able to meet the risks of production, and therefore to employ capital at a small fixed charge. We must note that credit facilities can be arranged from one guild to another, so that the actual "capital" required will, as it is to-day, be small in comparison with the use of credit.

Such national guilds will obviously accumulate their own capital which they can use for their own purposes.

Under such a system state control of industry can be reduced to a minimum, for the whole system of State regulation of conditions and of the employment of inspectors can be done away with, since the guild will make their own conditions.

The essential difference between the guild control of industry and the capitalistic control will consist in this reversal of the position of labour and capital, with its implications. Of these implications the central and essential point consists in the training and education given to all guild workers under a guild system to enable them to rise to "mastership." Mastership under the guild system means mastery, not of men, but of the processes of the industry concerned. The full training of apprentices to mastery is the key-note of the guild system. This must be open to all, though all may not care to avail themselves of the full opportunities, but may remain "journeymen" all their lives with a smaller say in the direction of the guild. Men and women so trained will understand the importance both of output and of quality, and they will realize that a country is wealthy in the proportion that home trade outweighs foreign trade in importance. Such home trade involves a high standard of life for the people and a comparatively equal distribution of wealth. At the same time it implies a full development of the agricultural resources of the nation and a country population sharing in the general level of wealth. Some system of public ownership of land will be

### **Mrs. Victor Branford**

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necessary to ensure its full enjoyment to the community. Such a country will not be driven to be constantly seeking for fresh markets abroad, because it will find them at home in accordance with its needs.

Only by working towards such a system of society can we hope to meet the rightful demands of the working classes to share in modern civilization.

It is greatly to be desired that the Christian Churches of this and other countries should rise to the opportunities of the new time, and unite to work out such a social policy, and to impress upon all who will listen to their teaching the duty of working towards it, so that at last Christendom may inherit the promised Kingdom of Heaven, and the peace at home and abroad promised to men of goodwill.



**C.—HISTORICAL ASPECT OF PEACE  
AND WAR INDUSTRIAL CONTROL**



## HISTORICAL ASPECT OF PEACE AND WAR INDUSTRIAL CONTROL

BY

MISS B. L. HUCHINS

THE question how far the State should or can advantageously interfere with and control production, is becoming a more practical and a less academic one than most of us a few years ago expected ever to see it. "Freedom of enterprise" was at one time almost a gospel in English political life and industry. It was at one time the fashion to write economic history as a revolt against State hindrance and interference, which revolt set up freedom of trade and industry as the goal of its endeavour, and found a victorious climax in the Repeal of the Corn Laws, 1846. At the same time, however, State interference was being gradually proved essential, and was slowly but surely making its way in the form of factory legislation. The interest that still clings to the subject, apparently dry as dust, of the early Factory Acts is to be explained by the fact that this social experiment was indeed the germ of a new principle. The doctrines of *laissez-faire* and individual liberty were in fashion, but the misery and oppression under which the factory population suffered were such that the more humane and right-thinking elements in the nation took alarm and called for State interference. The conditions revealed, indeed, were so scandalous that it became a farce to invoke "freedom" as their justification. What "freedom," it was pertinently asked, had the woman or child toiling sixteen hours a day, or even through the night,

## **Historical Aspect of Industrial Control**

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in a factory? It may be doubted, indeed, whether the manufacturers cared anything about liberty as an abstract idea ; what they wanted was "to do as they would with their own." And this was denied them. In spite of the weakness and poverty of the means set up to protect child life and labour, in spite of its narrow range, restricted to a certain class of industries, the principle involved was far-reaching. Hitherto, the employer in industry had been supreme. The growth of industrial wealth through the increase of capital and machinery, and the regimenting of labour within the work place, had brought into being a new aristocracy, which at the beginning of the century, was, it is true, at a political disadvantage, but which was economically strong, and obtained prestige through the part it was able to play, in helping to finance the war with France. Great was the pride and joy in the new possibilities of producing wealth, and so far as the consumer was concerned the competition between producers was supposed to bring about cheapness and harmonize automatically any conflict of interest that might arise.

The annoying doubts about malpractices in factories and the ill usage of children were not unnaturally resented in a world where cotton goods and bank balances were rolling up in so agreeable a fashion for the owners thereof, but the murmurs grew louder and deeper, and could not be silenced. The early Factory Acts, absurdly timid and ineffective as they were, came as a cold breath of common-sense, as a reminder to the manufacturers that they were not autocrats, that in the ultimate reason of things indeed they must be regarded as stewards ; that if they made use of child labour to enrich themselves, they could have their liberty only under certain conditions, certain sanctions. The industrial employer had to realize that he must work, not for "the indefinite expansion of the individual," but as exerting a function in harmony with the national well-being. The new principle which emerged in the State control of factories was the

necessity of adjusting rights to functions, which has been so eloquently set forth in *Authority, Liberty, and Function*.<sup>1</sup>

The new principle, once adopted, justified itself by success, and was carried further. Relatively short hours and good conditions were discovered to be advantageous, and the beneficial influence of the Acts were revealed in the inspectors' reports. By the end of the nineteenth century State interference had established itself and, in its turn, became a gospel. Socialistic aspirations tended to concentrate on the ownership and administration of industries by the State. Men's minds were thus prepared for the enormous centralization of power that took place at the outbreak of war, and in the early days we were often told that war had brought socialism. The State had inevitably to take control in many hitherto unaccustomed spheres. The pressure of national need, the acuteness of the emergency, sent ideas of "freedom" to the winds. Confronted as they were with a growing demand from the army for munitions, always more and more munitions (even Germany with all her foresight had not realized what huge masses would be needed), their terror was that output might be interrupted by strikes and other irregularities, and they created a new department, which was to regulate the industry in minutest detail. An elaborate code of rules and discipline was set up, and it was forbidden to leave one employer and seek another without a leaving certificate. The resulting tyranny is probably very faintly imagined by the general public following non-industrial pursuits. Sometimes a case comes up which gives some idea of it. "Jason" quotes the case of a woman who was fined for absence when the cause was the death of her baby, and probably some women will remember the outrageous case of the girls who were fined wholesale by a magistrate for leaving work, and lacked wit or courage—very naturally—to explain for themselves that they had left work on account of improper behaviour by a foreman, a fact which was made clear

<sup>1</sup> By R. de Maetru: Allen & Unwin, n.d., 1917.



## Historical Aspect of Industrial Control

by the explanation of a woman trade union secretary who fortunately happened to be on the spot in time to stand by the girls. It is difficult to feel much enthusiasm for immediate State management when we recall these and other features during the war; the red tape, the planless treatment of wages, under which boys and girls have in many cases been earning better wages than mature workers of greater skill, the domineering spirit, the spying and employment of *agents provocateurs*.<sup>1</sup> These are only some of the elements that have roused bitter suspicion and resentment against the Government, and caused many industrial workers to believe that a conspiracy to extinguish trade unionism is on foot. The very men who had at once surrendered their trade union customs for the sake of the country were now bitter and exasperated by the idea that the Government was backing up the employers against them.

There is, however, an alternative to the policy of bureaucratic control, and that is to be found in the method of joint or representative control. In the coal industry joint committees of employers and employed were set up to check absenteeism, and promote regular supply, and the system has worked well, absenteeism in some districts having been reduced to a point below that of normal peace conditions, although the average worker in war-time is of course of a less robust type on the average. The case of the wool supply is also an interesting example showing how the administrative problem can be solved. It was evident that the precious material, which was of such vital importance for equipping the new army, could not be left to the will and pleasure of individuals, or distributed according to the relative pressure they could put on the market, but must be planned out with a view to the needs of the army, the nation, and indeed of the Entente armies and nations. The price of wool was soaring high, and unless some check could be applied, the cost of providing khaki, flannel, blankets, and hosiery for the

<sup>1</sup> Jason, *Past and Future*, p. 83.

### Miss B. L. Hutchins

army would be alarming. It was decided to acquire the whole of British, Colonial, and East Indian wool for general purposes.<sup>1</sup> A Government department was set up at Bradford by the War Office to control the supply, and the wool was rationed out. The various firms requiring wool had to apply for certificates and to give particulars of their requirements, their stocks, their running machinery, their consumption in 1916, and their Government contracts. By this means a standard was set up, the method known as "costing" was applied, a check was placed on waste and inefficiency, and firms in which the management was slothful, apathetic, and extravagant of material were compelled to bring themselves into line with their more capable colleagues--no longer competitors, by the way, the principle of competition having been superseded by co-operation in obedience to the national call.

The constitution of the wool-distributing authority is also interesting. To avoid friction, the Department itself offered to set up a Board of Control on democratic lines to regulate the scheme from within the industry itself, subject only to the satisfaction of Government requirements. This Board consists of thirty-three members, eleven being Government officials, eleven representing employers, and eleven the principal trade unions. Its duty during the war has been to secure efficiency in supply for the Government, to employ labour, machinery, and skill to the best advantage, and to keep in use the largest possible proportion of machinery employed in the trade. Measures were also taken to avoid labour difficulties, and to prevent unemployment by working short time.

The enormous importance of this experiment and its comparative success cannot be gainsaid by the objection that during the war the supply of woollen goods has not been equal to the demand, and the price has seriously gone up. That was bound to happen, as the enormous

<sup>1</sup> The story of this scheme is told with more detail by "Jason" in *Past and Future*, chap. x, and by D. M. Zimmern in the *Economic Journal*, March 1918.

## **Historical Aspect of Industrial Control**

needs of the military population and the concurrent depletion of civilian labour made a scarcity inevitable. To judge of the value of the measures taken we should consider that had things been left to competition, the result would almost certainly have been an industrial chaos. "Instead," writes Jason, "of a scramble in which some men might make fortunes and others pass into the bankruptcy court, with workpeople here working overtime and there walking the streets in hunger and misery, we have an industry regulating its fortunes with a view to the common good."

The success of this experiment makes it well worth consideration in the face of the enormous industrial problems that confront us as the sequel of war. We cannot go back to unrestricted competition, that is certain. We must have State interference, and even a good deal more of it than we have ever yet had. With a population bereaved of over 1,000,000 of its best men, and with many others disabled and broken, it will be more necessary than ever to ensure that industry shall be carried on without the inhuman and unnecessary waste of life and energy that has been allowed in the past. Especially must the young be protected by additional and more effective safeguards.

In view, too, of the prospective scarcity of raw material, it is unlikely that industry will go back to the scramble of other days, and some kind of certificate will have to be forthcoming that the management of any firm that wishes to carry on business is capable of using its material with a reasonable degree of expert economy. Bad management cannot be tolerated when need is pressing, and here the method of "costing" introduced during the war has taught a valuable lesson. Thus it may be found practicable to extend the plan briefly sketched above to other industries concerned with urgent national needs, by vesting the ownership and ultimate control in the State, but the immediate direction and management in a body representing labour as well as capital. It is not possible to give the trade unions a considerable share in the control of conditions within

the works and even of industry itself? From the special point of view of women and girls it is evident that a works committee to deal with internal conditions affecting the employees might be of untold use and could well take the place of the welfare workers appointed by the employers. And a share in control generally would give a wider outlook over the purpose and function of the industry and would help to mitigate the monotony of repetitive processes and machine tending.

Perhaps on lines somewhat similar may come the solution of the immense difficulties that beset the problem of education and research. It is desirable the State should have the responsibility, yet it seems less and less desirable that the State should have control and management. Is it not possible in the future that associations of scientific workers, teachers, and so on, may be given definite functions in the national life, and therewith more freedom and initiative to perform them in their own way? The problem is a most difficult one; most of us feel, e.g., that hospitals ought not to be scrambling and competing for charitable contributions, yet probably most of us feel now (whatever we may have felt in the enthusiastic 'nineties) that State control would be a very doubtful blessing. This is the kind of problem that runs through the whole idea of reconstruction. The best hope for the future seems to lie in some devolution of function by the State, while retaining ultimate responsibility.

In a striking passage, De Maetz points out that the horrors of the great war have been the strongest possible lesson of the need for organizing society on the functional principle. Individual liberty is easy enough in one way, it means letting men fight things out, merely restrained by law from attempts on life and property. Authority also is a simple principle; it means entrusting the ruler with supreme power. "The functional principle, instead, implies a continual adjustment and readjustment of power to the functions, and of the functions to the values recognized as superior and more urgent." [The unbridled individualism of the industrial

## **Historical Aspect of Industrial Control**

revolution "let loose the ambitions of individuals," and the resulting enormous possibilities of wealth production could be organized under authority for the dream of world-wide domination, irresponsible power, might and ambition forcing mankind through the ordeal we have just seen. Thus are we compelled to realize that "it is worth while going to the trouble of binding the individuals, the authorities, and the nations in the functional principle, for only thus will it be possible to spare the world the repetition of these horrors." <sup>1</sup>

<sup>1</sup> De Maetz, *Authority, Liberty, and Function*, concluding passage.

***D.—THE STATE AND CHILD WELFARE***



**Miss Margaret Macmillan, C.B.E.**

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## **THE STATE AND CHILD WELFARE**

BY

**MISS MARGARET MACMILLAN**

MANY of our blunders and shortcomings in the past can be traced to a want of clearness as to where and how "State control" should come in--and go out, and the point where voluntary enterprise and service should begin and end. That both are needed to solve our problems of child-life every one agrees. The thing we have been very obscure about is their actual function and relative place. The State is the people's hand, acting through representatives, and very often through officials appointed by these. It has control of finance. It has to deal with millions of pounds, and millions of human beings. Having such a great work to carry on, it simplifies things as well as it can. It is fond of routine, and of type-forms of every kind, being, after all, not exactly a hand, but tending ever to become a machine. If it does not always work quite as smoothly and mercilessly as a scientific reaper, that is because the official (and the teacher himself is an official) is often very human (in which case he is sometimes treated like a foreign body and swept under the wheels).

We cannot go back to primitive ways of doing things. We have seven to eight millions of school-children, and we shall soon have ten to twelve millions for whom we shall be responsible. We cannot go back to primitive ways of managing school any more than we can revert to hand-loom weaving. On the other hand who is not weary of the old, old plaint, heard on every platform, ever trite and ever true: "We can do nothing because of the machine." There is no conference of national



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importance that is not blighted ere we take our seats by the old cry. Perhaps it is not true to the very heart of it. Few cries ever are entirely true. But there is such a lot of truth in this one that we have to listen. Is it possible we can, now everything is on its trial, get hold, not merely of the machine, but of the *thing that will keep it in its place*? What is the State after all? It is you and I and forty millions more. Most people of a certain age are fathers and mothers. These, and a good many persons who have no children of their own, yet love young things, have thoughts about them, ambitions for them, ideas as to what might be done for them. Can we not enlist all this sympathy and power of service, and give it its place in the life and work of the State?

There are two ways in which we may attain this new end. First, we may grant a new place in the coming educational regime to the volunteer, the free-lance, the teachers or leaders who are willing to open schools, nurseries, and other educational centres. There need, for example, be no cast-iron nursery school. In any locality a group of women, even one woman, should be allowed, if they can furnish guarantees, and show ability, to open a nursery and show what she, or they, can do in turning out fair, sweet, healthy, intelligent children of school, or over school, age. The many, many sides of this great and fascinating work might begin then to reveal themselves. Dress, play, feeding, gardening, physical conditions, the methods of getting in touch with homes and mothers, the best ways of teaching music, dancing, or even the three r's—one or any of these might receive a brilliant treatment in hands that were once forced to remain idle. And the result of all this would be the heritage of all nurses, teachers, and parents. We should not have a few original people struggling against odds to get a hearing, and not getting it after all in their own lifetime. The machine should be manipulated so that its teeth would not nip, if possible, into any budding worth and nascent valour, and its heavy arm should be swerved clear of all the

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harvests of new and fair discoveries. Mr. Fisher's new Bill does open the way to the volunteer. He is admitted with safeguards. For the authority, that is the State proper, very properly does safeguard itself. It can refuse all help by money grants till it is satisfied that the new school or nursery will be run on fairly good lines. It can inspect; it can demand its minimum. And, finally, it can withdraw its help if its conditions are not fully met. Given such guarantees it remains for us only to welcome the free-lance committees and the pioneers!

The same course should be taken with the elementary school. Nothing is more striking than the great variety of condition in different neighbourhoods. In one neighbourhood, for example, the housing is very bad. The dirt, the noise, the overcrowding, the character of the street, all mock and war against the school's work. If maintenance scholarships are offered here they are often the greatest mockery of all. It is plain to see that here we want a residential or semi-residential type of school, such as the Camp School for older children of Deptford was. The children in this school became quite unrecognizable as members of the old area. They made a nucleus that could not grow into the old type. We want hundreds of such schools, not in the country, but in the place where the parents live, where every day they and their neighbours will see the children and the new world in which they live. In other neighbourhoods the day-school may do all that is wanted.

This brings me to the second means of winning new help for our coming citizens. The parents themselves have a right to know and to influence what is being done for their boys and girls. They influence things to-day mainly by taking their children away altogether just at the critical moment. There is very little coming and going between home and school. Even our first nurseries have no regular system of home visiting yet. When our Charlie is ill, for example, we have to abandon him. And the school visiting days for mothers are few. We welcome all the more the

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foundings of the new Parents' Committees, of which Mrs. Mackenzie is the secretary, and which held its first public meeting on November 22nd. What will these Parents' Committees do? It is impossible to say yet. Doubtless their work will vary a great deal in different areas. In some, alas! mothers and fathers alike may be overwhelmed by the burden of life after the war. But it is impossible to forecast what may happen, human beings are so various and so unexpected. It is very probable that some will know how to advise, and also to enlist good advisers. Certainly we may hope to have new suggestions as to types of school. A widower, in good work, with little daughters or sons on his hands; a mother, widowed, and obliged to work. A mother whose home life is blighted by a drunken husband. Cases of every new order and freak of circumstance may have a chance at last.

There is another kind of volunteer service which cannot be spoken of as a "measure," and which yet may have much larger results than we can figure. I mean the entry of women into the child-service work as into war work—women of leisure, wealth, and education. Why should these be ruled out? The blind, groping, ignorant prejudice of pre-war days said unblushingly, "Keep them out because they will keep poorer women out of a paid job. There are not enough paid jobs to go round. So keep all the most favoured people in a sort of pound of idleness. Then the poor can have more work." This is a suicidal way of doing things. It condemns the rich to be useless, and herds all the poor into one army, ostracizing them in so doing and cutting them from every kind of uplifting fellowship and interest. There should be a better way out.

There is. The new nursery schools, and the new residential, or semi-residential, schools, will require a variety of workers, and shifts of teachers. Why should we insist on a uniform wage for these? It would meet the case better if we asked for a minimum wage—and also if we made it optional to return this. A titled woman who goes into a hospital does not ruin the

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nursing profession ; why should she ruin the teaching profession on joining its ranks? Nowhere can we begin to find the new solutions with more advantage to the country than in the teaching service. It is admitted now that teachers' salaries must be raised. Well, let them be raised. But let us go on now to raise *status*, and assure the best service for our children in doing so.

This best service can be had only through a right co-operation, not only between State and volunteer workers, but between all classes of society, united in one great national order of labour.



## ***SOCIALISTIC VIEW***

**SOCIALISTIC VIEW**  
**THE CASE FOR THE SOCIALIZATION OF UNDERTAKINGS.**  
**G. BERNARD SHAW.**

## THE CASE FOR THE SOCIALIZATION OF UNDERTAKINGS

BY

G. BERNARD SHAW

THE questions are far too wide to be answered by anything short of a book of my own. I can only say, generally that as there is no limit to State power, there can be no limit to State control now that the old theory of *laissez-faire* is not only discredited but disgraced.

There is an immediate danger that at the end of the war the Government will be pressed by the commercial interests, and tempted by its own lameness and ignorance, to sell off all the war factories it has established at public auction, to private commercial adventurers, who will take care that the supposed auction is really what is called a knock-out; that is, the buyers will agree not to bid against one another until the property has been sold to their agent for a trifle; and then they will put it up to auction again among themselves and share the price.

The proper course is for the State to retain the factories and then either operate them directly, or let them at a rackrent, with such covenants to ensure the maintenance of the property as every ground landlord now puts into his leases, and with conditions to prevent sweating of the sort which have long been in use in municipal contracts.

As the imposition of the State control has already been enormously beneficial to the businesses affected, it should be continued and extended. Our "captains of industry" have been convicted by the war, and by the civil servants whom they despised, of being for the



## Case for the Socialisation of Undertakings

most part "silly people who did not know their own silly business." They have been taught how to keep accounts, especially costing accounts; and much of the huge war profits are the fruits of the economies forced on them by State control. This is nothing new. Ever since the imposition of the block system many years ago on the railways, which showed the railway managers how to run express trains at intervals of two minutes instead of ten, experience has shown that State regulation is always effective and beneficial when it is honestly meant to be so. The leading example is the decay of agriculture in the absence of all State regulation as contrasted with the tremendous development of factory industry under a code so stringent that almost every leading point in the conduct of a factory was imposed by the State, and no factory owner was for a moment allowed "to do as he liked with his own."

There is, however, another and enormously more important reason for continuing State control. The difficulty in the way of a stable social order has hitherto been the operation of what economists call the law of rent, by which all industrial products are sold to the public, not at their average cost of production, but at the cost of production under the most unfavourable circumstances under which it is worth while to produce at all. If we take the coal supply as an illustration, we find that part of the supply is raised from coal fields so rich and accessible that the coal can almost be dug from the surface like peat, whilst another part of the supply is obtained from mines under the sea which could only be reached by twenty years of preliminary mining, and are very costly in the upkeep. Now it is clear that until the pressure of demand on supply has forced the price of coal up to a point at which it will pay to cultivate these submarine mines, the mines will not be made. Yet such a price will repay the cost of production in the more accessible coal fields ten times over, giving rise to huge profits and mining royalties supporting their proprietors in idleness. This profiteering, as it is now called, was checkmated during the war in controlled

establishments by a very simple method. The Government ascertained the cost of production in each place, and commandeered the supply at a price sufficient to cover that cost of production with a reasonable profit. In this way it acquired the entire supply of the country at prices varying according to the cost of production, and sold it again to the distributing trades at the average cost of the whole, fixing at the same time a statutory price sufficient to cover a reasonable profit to the distributor, at which the distributor was obliged under penalties to sell it to all comers. In this way the problem of rent, as an element in price, was solved for the first time. A return to the profiteering system would be disastrous, and will be resisted energetically by Labour. This sort of control will, therefore, tend to be extended to all commodities; and its desirability can be questioned only by those who frankly desire to live idly on rent and interest.

Perhaps the most appalling scandal of private competitive enterprise is the vested interests in destruction and waste which it creates. The railway industry, for instance, is overshadowed by the industry of truck repairing. The result is that every time a goods train halts, the coupling is so arranged that every truck is stopped by a separate violent collision, as every one who tries to sleep within earshot of the crashes which volley along the train knows to his cost. We are assured by eminent engineers and inventors that this wreckage is quite unnecessary; but every attempt to apply the remedy is checkmated by the power and money of the wreckers. If the entire industry of transport and manufacture, and the repair of its material, were in the hands of the State, the wreckage would cease, and an enormous economy be effected. Automatic couplings, which are now "not worth while" commercially, as they only save lives and limbs, in which the companies have no pecuniary interest, would be introduced; and a shunting yard would no longer be as dangerous as a field of battle.

In short, the case for State regulation is overwhelming; but as there is no money to be made by stating it, and

### **Case for the Socialization of Undertakings**

a great deal to be made by suppressing it and stating a case against it, the public is left under the impression that there is no case for it, and a strong one against it.

In short, it pays to humbug the public ; and the public is humbugged accordingly.

***LABOUR AND INDUSTRIAL VIEWS***

## **A.—THE STATE AND INDUSTRIAL PRODUCTION**

JOHN HILTON (of the Garton Foundation).

## **B.—INDUSTRIAL REFORM**

### **NATIONAL GUILDS CONTROL OVER INDUSTRY.**

W. N. EWER.

### **GUILDS AND THE STATE.**

ARTHUR J. PENTY (Author of *The Restoration of the Guild System*).

### **THE GUILD CONTROL OVER CAPITALISM.**

MAURICE B. RECKITT (Editor, *Church Socialist*; Author with  
C. E. Bechhofer of *The Meaning of National Guilds*).

## **C.—LABOUR EDUCATION**

### **PRESENT AND POSSIBLE STATE CONTROL.**

H. SANDERSON FURNESS (Principal, Ruskin College, Oxford).

### **INDUSTRIAL CONTROL NEEDS A NEW DESIRE.**

J. M. MACTAVISH (Secretary of the Workers' Educational Association).

**A.—THE STATE AND INDUSTRIAL  
PRODUCTION**



## **THE STATE AND INDUSTRIAL PRODUCTION**

BY

**JOHN HILTON<sup>1</sup>**

1. FOR nearly four years we have had taking place under our eyes a gigantic experiment in the application of State control to industrial production, and it is not too early to try and draw from it some guidance with regard to what will be one of the dominant questions in the months that follow the war—whether any part of the State control of the war period shall be retained as a permanent feature of our national economic policy, and, if so, what form and dimensions it shall take ; or whether it ought to be swept away as fast as conditions allow and the pre-war economic order restored.

Let us at the outset remind ourselves as to what the economic system prevailing before the war really was ; and recall the circumstances that led to its being suspended for the period of the war in favour of a system of State control.

The first thing to be remarked about the economic system as it existed upon the declaration of war is that it was broadly a product of private enterprise inspired by the motive of private gain. There were, of course, a large and increasing number of undertakings of different origin and character—the co-operative societies, the municipal gas, electricity, and tramway undertakings, and the State postal, telegraph, and telephone services—but these formed all told but a small fraction of the total volume of economic activity. The farms, factories, and workshops from which the material

<sup>1</sup> See Preface.



## **The State and Industrial Production**

goods required for the upkeep of life proceeded ; the banks, accepting houses, and financial agencies through which monetary and credit transactions were carried out ; the railways, ships, and other transport agencies by which goods were carried from producer to consumer ; and the bulk of the wholesale and retail distributing trade with its warehouses and shops, dealers and shopkeepers—the whole, or very nearly the whole, of this vast network of economic activity had been started on private initiative with privately owned capital, and was being carried on by private people with the object of private gain.

Whatever the faults of the system, it will not be disputed that it resulted in an enormous output of stuff of one sort and another, or that it resulted in the production of that stuff in rather remarkable accordance with effective demand. Only now does it begin to occur to us as something remarkable that before the war we could get any ordinary thing we wanted—even sugar, tea, butter, matches, copper, glycerine, or petrol—by offering payment for it. Apart from occasional gluts and shortages in this or that article, about as much of everything was produced as people were willing and able to buy.

That this convenient result should follow from the pursuit of private profit by a hotch-potch business world, largely unorganized and undirected, indicates that there was some self-regulating process at work. That process, as set out in the economic text-books, may be roughly summarized as follows : (*a*) if the demand for anything exceeds the supply, competition between buyers sends the price of that thing up ; (*b*) a relatively high price means a relatively large profit ; (*c*) a relatively large profit attracts enterprise and capital into the production of the thing ; (*d*) supplies increase ; and (*e*) competition between sellers brings down the price to normal.

So far as this unsophisticated account of the workings of the pre-war economic system is correct, gain might be regarded as the mainspring of the economic machine, price as the regulator, and competition as the safeguard and check ; and profit might be taken as broadly de-

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pendent on service rendered. Now while it is perfectly true that in the actual world of business these forces operated clumsily and tardily, and were subject to all kinds of concerted manipulation (I shall revert to that later), yet surveying the whole domain of business it will probably be agreed that private initiative, private management, private gain, free prices, and free competition were, on the whole, the predominant and determining feature of industrial production in the world as we knew it before the war.

On the outbreak of war, this balance of interacting forces, under which industrial production had previously been carried on, was violently disturbed. At a stroke accustomed supplies vanished and unaccustomed urgent demands sprang up. Had the disturbance been less sudden, and had economic activity been free to react to the new circumstances, enterprise and competition would have followed more or less briskly on the heels of shortage and the more extravagant aberrations would have been checked; but, as it was, the possessors and controllers of essential supplies in urgent demand, whether for military or civil needs, were in a position to hold the State and the public to ransom, or, to put it less invidiously, were in the embarrassing position of having competitive and constantly advancing offers for their supplies, and had no particular reason for not selling to the highest bidder.

The system had no quick-acting remedy for such a state of affairs, consequently the prices of all goods and services in urgent demand rose rapidly, and enormous profits could be, were being, and would be made. This was hardly tolerable either to Government or people. That any one should either actively or passively make private profit out of the national need was felt to be indecent and unpatriotic. Meanwhile the Government was becoming an increasingly large spender of revenue and buyer of supplies, and accordingly found itself called upon to deal with the situation in five capacities—first as a guardian of the commonweal, second as an instrument of the popular will, third as a large consumer,

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fourth as a collector of revenue, and fifth as the executive of a State at war.

The problem before the Government was how to discharge these obligations without impairing the productivity of industry for the period of the war, and without unduly sacrificing the after-war vitality of the industrial system to the pressing necessities of war. Obviously neither absolute *laissez-faire* nor a full-blooded War-Officeization of industry was practicable; and a midway course had to be laboriously traced out. The course in fact taken may most usefully be described in the present Administration's own terms:—

“ . . . Not only have enormous numbers of men, and latterly of women also, been mobilized for military and naval purposes, but the vast majority of the people are now working directly or indirectly on public service. If they are not in the army, the navy, or the civil service, they are growing food, or making munitions, or engaged in the work of organizing, transporting, or distributing the national supplies. On the other hand, the State has taken control for the period of the war over certain national industries, such as the railways, shipping, coal, and iron mines, and the great majority of engineering businesses. It has also made itself responsible for the securing of adequate quantities of certain staple commodities and services, such as food, coal, timber, and other raw materials, railroad and sea transportation, and for distributing the available supplies justly as between individual and individual in the national interest. The Government has further had to regulate prices and prevent profiteering. It has done so partly by controlling freights, fixing maximum prices to the home producer, and regulating wholesale and retail charges, and partly by its monopoly of imported supplies. The information which the Government has obtained as to sources of supply, consumption, and cost of production, and the relations it has entered into with other Governments as to the mutual purchase of essential products which they jointly control have, for the first time, brought within the sphere of practical politics the

possibility of fixing relatively stable world prices for fundamental staples. The State has even taken the drastic step of fixing the price of the 4 lb. loaf at 9d., at a considerable loss to itself. Thus the war, and especially the year 1917, has brought about a transformation of the social and administrative structure of the State, much of which is bound to be permanent. . . .

"In the second place, the war has profoundly altered the conditions of the industrial problem. Since 1914 the community itself has become by far the greatest employer of labour. It has assumed control for the duration of the war over a great number of the larger private undertakings, it has limited profits by imposing an 80 per cent. excess profits tax, and it has intervened to prevent profiteering in the essential requirements of the nation. Further, the regulations of the trade unions have been suspended for the duration of the war, industry has been diluted throughout, new methods and new industries have been introduced, labour-saving machinery has been everywhere installed. . . .

"In the third place, agriculture has been restored to its proper position in the national economy. After long years of neglect, its vital importance not only for the production of food, but for the healthy balance of the life of the nation, has at last been recognized. The guarantee of minimum prices for food products, the fixing of a minimum wage of 25s. a week for agricultural labourers, and the establishment of Agricultural Wages Boards for England and Wales, Scotland, and Ireland, coupled with the other measures of the Departments of Agriculture, mark a new era in the rural history of the British Isles."—*War Cabinet Report*, 1917.

Apart from a certain exuberance of phrasing, the passages quoted above sketch in substantially correct broad lines the change that has taken place in industry under the war regime. To follow out at closer view the nature of that change, it will be useful to describe briefly the transformation wrought in three or four principal industries. I will take the industries of engineering, agriculture, shipping, and rail transport.

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Engineering and agriculture I take because the first is a good example of the more compact, organized, subdivided, repetition manufacturing industry, while the second exhibits just the opposite characteristics. Shipping and railways I take because competition in the shipping world is exceptionally free and freights are exceptionally subject to the interaction of demand and supply, while railways are quasi-monopolies carrying at stable and even statutorily fixed charges. These characteristic differences, and the comparisons they invite, will prove useful in forming judgments as to the limits of State control.

The engineering industry of Great Britain, in common with others, had been created not by State decree but by the spontaneous initiative of private persons or groups. Prior to the war, the separate business concerns of which it was composed, ranging from the two-man blacksmith's shop to the largest combination employing thousands of men, was, in the economic sense, an autonomous unit. So long as it kept within the narrow fringe of provisions laid down by the Factory, Employers' Liability, Trade Boards, and Insurance Acts, it bought what it liked in the cheapest market at command, manufactured what it liked in any way it pleased, sold what it liked in any market at the best price it could get, employed whom it liked at what wages it liked, and made what profits or losses it liked, without let or hindrance or instruction from the State. The prices at which it bought and sold were matters between itself and its suppliers or customers; the wages it paid were matters between itself and its workpeople. The task of seeking orders, designing products, devising methods and processes, supplying the instruments of production, and generally driving the business to success devolved wholly upon the proprietors or their representatives.

The briefest glance at the present position of the engineering industries will serve to show to what an extent these features have been temporarily obliterated. Practically all engineering firms are now controlled establishments. They may not undertake any non-State work without State sanction. Acceptance of orders and

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precedence of work is no longer at the discretion of the firm, but is prescribed by the State under the priority regulations. Free competitive prices have given place to controlled prices for both purchased materials and products. The State has taken authority to examine books and investigate costs of manufacture and to force the firm, subject to arbitration, to accept a reasonable price based on the cost of production. Maximum selling prices have been fixed for many of the raw materials of engineering, e.g. steel, brass, copper, spelter, timber, etc. Power to purchase these and other materials and instruments of production is subject to the sanction of the State. As regards the treatment of labour, piece-work rates may not be cut, workmen may appeal to a tribunal against dismissal, and wages questions must be referred to the State for settlement. Finally, the State takes in taxation 80 per cent. of all profits in excess of an average of any two of the three pre-war years, or in excess of 6 per cent. if the average does not reach that figure.

The control of the State is similarly exercised over engineering workpeople. It is an offence to work short hours or to be absent without adequate excuse. It is an offence to think, speak, or act in any way which might lead to a reduction in the output of munitions. Until a few months ago it was an offence to leave the employment of a controlled firm without a leaving certificate. Under the voluntary agreement of 1915 with the trade unions it is an offence to observe any customary output restrictions or to resist the dilution of qualified skilled labour with unskilled labour. Since the abolition of the leaving certificate a system of "rationing" employers as regards the employment of skilled workmen has been introduced. Appeals and offences under these heads are taken before tribunals consisting of representatives of employers, workpeople, and the State, by whom penalties are imposed or restitution given.

Turn next to agriculture. The farmer, like the engineer, produced what he thought fit in the way he thought best. He, too, bought and sold and rented and

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hired on the best terms he could make without dictation from or even reference to the State. He grew what he thought would pay him best, taking the risks of the markets and the seasons on his own shoulders. So long as he refrained from such offences as employing children under age or selling watered milk, the State had little to say to him in his capacity of producer. His men could work when and where and for whom or what wages they liked as far as the State was concerned. Whether he farmed and guessed well, and prospered; or whether he did ill, and failed, was his own affair. If he prospered he pocketed his profits and no one said him nay.

But the farmer, too, now moves in a strange State-ordained world. The selling prices of all his staple products are fixed. The purchasing prices of his seeds, manures, and feeding stuffs are controlled. He may sell certain products only to State nominees or with State sanction. He is under orders from his County Agricultural Committee to plough so much pasture, to grow so much grain. He is no longer at the mercy of the markets; a minimum price is guaranteed him for next season's potatoes, and for wheat and oats during the next five years. A minimum wage for his workers is laid down. He may appeal to arbitration against increased rent. He may borrow labour and machinery from the State. He can no longer produce quite as he likes; the County Committee can serve a notice on him requiring that he shall cultivate his land in a satisfactory manner, and if he does not conform may take possession of the whole or part of the farm and either cultivate it or let it to new tenants. Yet, when all is told, the State's warrant does not carry very far over the farmer's economic domain. Within these limits he is still the director of his own affairs, and the beneficiary of his own activities.

The shipping industry, to a far greater degree than either agriculture or even engineering, has passed from a regime of absolute economic autonomy to a regime of absolute State control. Prior to the war it was

the shipowner (person or group) who set in motion the activities which produced a new ship, and in its owners was vested absolute authority as to where it should go, what course it should take, and what cargo it should carry. The prices paid for ships and supplies concerned nobody but the buyer and the seller; the wages paid to staffs and crews were arranged between the owners and the employees; the freights charged were arrived at by the higgling of the freight market. The industry had its Merchant Shipping Acts analogous to the Factory Acts in manufacture: but within these restrictions, again concerned not with the operation of the ships, but with safety and health, the shipowner was sovereign. He could "do what he liked with his own."

In no industry is the change from the pre-war order to the present order so striking. Step by step the State has taken over the control of shipping until at the present time it may be said that the entire mercantile marine, with its officers and crews, is on hire to the State. The hire is paid at "Blue Book Rates" per ton per month according to the class of vessel. The shipowners or their managers are virtually State servants. The State takes the freights, pays the hire, discharges certain obligations in regard to increased wages, and the difference, a very substantial difference, goes to the Revenue. The voyages and cargoes of the entire mercantile fleet are prescribed by the State. The ownership and routine management of the vessels remain in the hands of the companies, but the profits (or losses) are determined by the fixed rates of hire and are no longer affected by the earnings of the vessels. Further, should the profits exceed the average of any selected two of the three pre-war years the excess is subject to the Excess Profits Duty of 80 per cent.

The railways I have left to the last because they present quite distinct features. A railway is by nature a quasi-monopoly, and for this reason railway companies have always in this country, been subject to State



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regulation. They also were built up by spontaneous group enterprise, but subject to Parliamentary sanction and under statutory prohibitions as to the acquirement of land and statutory regulations as to rates and fares. Since each of the several companies represents a vast aggregation of capital and is a gigantic business unit, the administration of which is largely routine and almost wholly carried on by salaried servants, and since a railway is not subject to foreign competition the transition from company control to State control was much more easy, and involved much less alteration in the actual conduct of the undertaking than in any other case.

On the declaration of war the management and control of the whole of the railways of the United Kingdom was taken over by the State, and has since been exercised through a Committee of General Managers. The managers and staffs are now virtually employed as State servants; the takings of the companies are received by the State and the payments are made by the State. The ownership of the railways is still vested in the shareholders, but these are paid conventional dividends, without reference to the profits or losses of the undertakings. The gain or loss resulting from improved efficiency, working economies, higher rates, or increased wages accrues to the Exchequer.

It is no part of my purpose to question the salutariness of these arrangements from the standpoint of war necessities nor to discuss how well or how badly they have served their emergency object, except in so far as the unmistakable results of their working bears upon the problem of the relation of the State to the producer in the years that are to come. The most important thing in regard to the State control of the war period is that the system is actually, in being, for the accomplished fact is nine-tenths of any argument.

It is desirable to urge, in the first place, that the good or ill-working of State control during the war

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should not be taken as establishing beyond cavil its good or ill-working during the long years of peaceful development which we may hope lie ahead. The State control of the war period had to be hastily improvised, and many of the glaring defects which have moved the business world to fury or laughter could no doubt be avoided were the system to become permanent. On the other hand, it must not be assumed that what has worked well in war-time would work equally well through years of peace. Not only have producers been less restive and captious during war than they would be in normal times, but the stimulus of patriotic fervour, which is apt to abate in the piping times of peace, has served to some extent as an alternative to the pressure of necessity or the incentive of gain. But the difference between emergency measures and a permanent system does not end there. These industries were taken over by the State as "going concerns," and there is a momentum about a going concern which will carry it a long way, even though the initial energy be cut off, as has often been seen when the able founder of a business has died and left his fool sons to carry on. It would not suffice, for any, but an emergency period, for the State to trade upon the residual momentum in an industry; it would have to supply somehow the initiative and energy necessary for its continued re-creation. Moreover, during the war the State has been not only the principal purchaser of such goods as engineering products and of such services as sea-carriage, but has also been a large consumer of its own products. There was no question of finding a market, or of ascertaining the tastes and requirements of consumers in order to shape products and services to their liking; but such conditions would not obtain in ordinary times. Again, the starting of new, or the extending of old, productive concerns during the war has been limited to works intended for production to the order of the State and has been either carried out or assisted by the State; consequently the influence of profit limitation on investment

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has not arisen, but it would become a vital question were the State regulation of profits to become permanent.

It will be observed that in all the four industries mentioned above the aim of the State has been to put a brake on the making of inordinate profits. No decent-minded person will have any fault to find with this as a war measure. A State at war has as much title to commandeer the industrial services of its people on its own terms as the military services. If the latter right be granted, the former is simply a question of expediency. The State has had to balance the claims of productivity, revenue, and public feeling and adopt a course which would best reconcile the three. It is undeniable that in many instances productivity has suffered during the war by the elimination of the profit factor. It was inevitable that the removal of the profit incentive and index from businesses habituated to the motive and test of profit should result in a certain amount of bewilderment and stagnation, but it may well be that any loss on that score was outweighed by the gains in revenue and public morale.

But if it is proposed to retain the policy of profit limitation after the war we shall have to face the fact that such a policy, rendered permanent, will have far-reaching reactions. In the first place, private gain has been hitherto the dominant incentive to industrial enterprise. The motives which impel men to work at their best are various. Love of the job, desire to render service, self-respect, and the desire to excel, all play their part; but among the complex of motives is the desire for personal enrichment. In a simpler order of industry, where the product of a man's hand is something of an expression of his being, loyalty to the job, pride in the product, and the honour of the craft may suffice as impulses to good service; but we have left that world behind, and we have to ask what impulse or incentive will prove a sufficient substitute for private gain in the industrial order of our time. To point to the devoted and magnificent

work of many public servants is no answer to this question, for administration and industrial production are totally different kinds of work. The idealism of our time sees in the conception of "industry as a public service" a desirable alternative to "industry as a means of enrichment." It is a fine ideal, one that if widely held would serve without any statutory action to transfigure industry and commerce, but will it also answer as an apparatus of production in a world in which the ideal is not yet widely held?

The limitation of profits, it will have been observed, is at the present time accomplished in three ways. First there is the Excess Profits Duty. It is generally agreed that the present arrangement cannot be perpetuated, for the taxation is levied on a purely fortuitous basis. In some industries and some firms the three pre-war years chanced to be lean years, and the tax is levied on all profits over 6 per cent. In others they chanced to be fat years, and profits of 10, 20, or 100 per cent. escape the tax. Assuming that it were thought desirable for revenue and social reasons to tax inordinate profits, such vagaries could be corrected by fixing a standard rate of profit for each type of business undertaking, and levying a substantial tax on any profits above that level; but in framing such a scheme many difficult problems would arise. To mention but one, on what basis would the rate of profit be computed? On share capital, which may be purely nominal or may be heavily watered? On value of output? On the assessed value of the business? Little thought has as yet been given to even these elementary points. The second method of limiting profits is that at present extensively adopted by the Government of estimating the costs of production, allowing a 10 per cent. margin above such costs, and compelling the execution of contracts at that price. This is obviously a method applicable only when the State is the purchaser; but it has its corollary in the third method, that of fixing maximum producers' prices at a figure based on a similar method of accountancy. In all

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these schemes, considered as permanent measures, there is one insuperable difficulty. Unless they are applied to all forms of industrial activity capital and enterprise would drift from the "controlled" industries to the "free" industries, and as the control would inevitably be over the staple industries engaged on the production of essentials the effect would be to depress such industries and encourage the devotion of capital and energy to the non-essential trades. The alternatives are accountancy price-control of all products of all businesses in all industries or the subjection of investment and enterprise to some sort of priority regulations. When these and a score of other problems connected with profit limitation are faced, the conclusion will probably be reached that no purpose would be served by a profits tax which could not be better served by an amended income tax.

In the circumstances created by the war rising prices and undue profits have been so much looked upon as evils to be suppressed that we are in danger of overlooking the part played by fluctuating prices and differential profits in the apparatus of production. The remarkably close relation between supply and effective demand in the pre-war world was almost wholly maintained by the rise and fall of prices and profits. Take the case of the farmer. When he had to decide which of two or three alternative crops he should grow on some part of his arable land he asked himself which, to the best of his judgment, would yield him the largest profit. And how did he decide that? Well, profit would be dependent on relative price, so he must grow the crop which was likely to command the highest price. But relative price would in turn be dependent on relative scarcity; so in effect to get the largest profit he must grow the crop of which there would be the greatest lack. Prospective price was his rough-and-ready index of prospective need, and in growing for profit he served, within the limits of his foreknowledge and judgment, the needs of the community. Or take shipping. How came it that under such an anarchic system as prevailed

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before the war, ships fetched the goods most needed in the order of greatest urgency from wherever they might be in the world? Simply that wherever the demand for tonnage was in excess of the supply freights rose, and more ships were attracted to that trade until the excess of tonnage over requirements induced the competition which brought down freights to or below normal. It will be seen that any general fixing of prices by the State involves in the end the State control of production, consumption, and distribution. That has been the invariable and universal experience of the war period, and it will apply with equal force after the war. So far as the producer is concerned, a permanent policy of price regulation must entail the setting up of a State department charged with ascertaining the needs of the whole community of purchasers and ordering the requisite goods and services, and the State must have and exercise powers to compel such production. I fancy that on the whole the competitive system, with its unregulated prices and unrestricted profits, would prove preferable.

I have referred to the remarkable closeness with which the supply of goods and services in the pre-war order conformed to the effective demand; but it may be remarked that effective demand is not the same thing as need. There is a strong feeling that in the future production must be so controlled somehow that necessities have precedence over luxuries: a feeling aptly summed up in the phrase "no cake until all have bread." I cannot discuss in the space available the implications of this desire when translated into a practical programme, but I would suggest that to pursue the desired objective through control of production is to start at the wrong end and march into a thicket of difficulties. The cure for a condition which allows cake to be produced while large numbers lack bread is not the statutory enforcement of bread-making or the prohibition of cakes but the wider and more equitable distribution of purchasing power.

The tendency of prices and profits under what I

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have called the system of economic autonomy is towards the normal, and this tendency operates through competition. But competition has another function, that of discriminating between the more and less competent, between the more and less necessary. If a producer under the pre-war order could not make good, either because he was catering for society's effective demands less acceptably than others or because he was producing what nobody was able or inclined to purchase, he bestirred himself or changed his line of work or failed and fell out. It was a brutal and ruthless process, often it was a lingering and socially costly process, but it did at any rate provide a mechanism, however crude and wasteful, for selection and elimination, and it is not so far clear how under a system of State industrial administration this function would be performed.

Summing up the foregoing doubts and questionings, one may say that more light is required upon the question of what mechanism is to be set up, under either a permanent system of State control or under an industrial order framed on the ideal of industry as a public service, to provide (a) an equally potent incentive to industrial enterprise and effort, (b) an equally serviceable allocator of industrial investment, (c) an equally good correlator of supply to demand, and (d) equally effective provision for selection and elimination. I do not suggest that such mechanism cannot be provided; but desire only to emphasize the importance of having well-considered plans for meeting these needs of any system from which the profit element is eliminated.

So far I have dealt with the pre-war economic system as though under it prices and profits were subject to no other influences than the "law of demand and supply," as though competition were always free, as though labour and capital and enterprise were always well informed and could flow without restraint to where the rewards of industry were highest, and as though reward was always roughly proportional to service rendered. But in the actual world of "big" industry, as every one knows, the "laws" of unsophisticated

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political economy are subject to all kinds of concerted manipulation. We are not without knowledge of the extent to which large domains of industry are the subject of monopolies, ring-fenced against competition; of the degree to which output and prices are controlled by rings, associations, "gentlemen's understandings," combines, and trusts; of the obstacles that can be laid in the path of any one aspiring to engage in certain lines of industry; or of the extent to which the sources of supply, the channels of information, and the run of the markets can be secured against troublesome intruders. That these concerted manipulations may result in considerable economy by the prevention of wasteful overlapping and competition will not be denied, but the power behind them can also be used to the prejudice of the public, and through their agency profit may be derived from disservice rather than service; from exploitation rather than reciprocal advantage. It is obvious, therefore, that when we pass from small dispersed industry to big compacted industry we are confronted with the facts that here industry is already, "controlled," and the choice for the future is not between *laissez-faire* and State control, but between one kind of control and another. The question, therefore, is, taking control for granted, in whom or in what should that control be vested?

3. Four possible arrangements suggest themselves: (1) Autocratic control by the business interests as hitherto; (2) democratic control, with or without ownership, by councils or guilds representing all those engaged in the industry; (3) State or public control of businesses privately owned and run; (4) State or public ownership. These are not mutually exclusive. Autocratic control might be tempered by representative councils and subjected to State or public supervision. Under State or public ownership the control might be either bureaucratic or democratic in character.

The case for autocratic control by business men as hitherto rests upon the claim that private ownership and autocratic management result in greater efficiency.



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and a higher level of productivity than would result from either democratic management or State control. The business man, so the argument goes, has won his place by reason of his special endowment of instincts and faculties. From him the driving force proceeds, with him the initiative lies, upon him rests the ultimate responsibility. Limit his powers or responsibilities or rewards, subject him to committee or departmental control, and you will rob industry of its virility. Committees initiate nothing. State officials play for safety; such management might serve to continue an established routine in an unchanging world, but could not make the pace of industrial development.

Against this doctrine may be set the fact that businesses are in many cases run by salaried managers; that business acumen is not born in a man but can be acquired by experience and training; and that new enterprises are, in fact, constantly being undertaken and carried to success by public bodies. But these are questions of fact and experience; much more fundamental is the issue involved in the present widespread feeling that industry is not merely a matter of wealth production and distribution, it is an integral part of the whole social life of the people. Productivity is not the final criterion, but quality of individual and social life; and if autocratic industrial control impairs the quality of the common life its economic efficiency is not worth the price.

In any case, the day of absolute autocracy in big industry is over. Little by little proofs are accumulating that the only stable and successful kind of management is management with the consent and active co-operation of the managed. Such management spells power, and before it irresponsible autocracy, which spells only force, is even now steadily going down. Thus as regards the internal conduct of firms comprising big industry it may be surmised that private ownership and control will endure only in so far as management accords to the workman "a direct interest in his work, which will give him the maximum amount of control over his

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labour consistent with maintenance of the maximum efficiency of production." And as regards the external business of such firms it appears equally plain that, in view of the wider conceptions of industry in its relation to social life now gaining prevalence, autocratic control will only be found tolerable in so far as business proprietors realize their responsibilities to the community as well as to the firm and its shareholders, and abuses of power by unprincipled concerns are prevented by legal safeguards and administrative supervision.

Schemes for the democratic control of industry range from the formation of Joint Industrial Councils (works committees, district councils, and national councils) of employers and employed in the organized staple industries, to the suggestion that the employees in each of the great industries should form themselves into a guild, which should assume the entire administration and control of the industry. The former scheme leaves ownership as at present; but in regard to management contemplates a division of functions:—the business side is left mainly to the proprietors, labour conditions are left mainly to Labour representatives, and the joint council deals with matters that are common to both business and employment. This is an attempt to graft a new shoot on the old stock in the hope that it will flourish side by side with the older growths or perhaps eventually supplant them; whether that hope is justified remains to be seen.

The industrial guilds proposal involves something more in the nature of root-pruning. It contemplates the passing of all the staple organized industries under the control of the whole body of persons engaged in the industry, and the management being exercised through an elected or hierarchical executive. Assuming such absolute control it matters little in whom or what the ownership of the industry is vested, and as to this point the advocates of National Guilds differ academically among themselves. The guild policy would give in effect a number of sectional industrial States exercising a sovereignty co-equal with that of the political State embracing them.

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Any adequate discussion of this proposal would carry me too far afield.

The fourth type of control applicable to big businesses would be that exercised under State or public ownership. I take it that no one seriously proposes to extend at a stroke State or public ownership to all businesses, small or large ; and that no one seriously disputes that there are forceful reasons for such ownership in certain cases. The question is, therefore, one of deciding which types of industrial concern are more suited, and which less suited, to State ownership. General considerations and the experiences of the war alike point to the conclusion that in the case of highly organized, compact, routine industries of a monopolistic character, especially those engaged in the repetition manufacture of staple products, the conditions are more propitious for State ownership than in the case of badly organized, dispersed, versatile industries, in which constant resourcefulness, adaptability, and judgment are required.

The above considerations apply with almost equal force to the State control of industry, but with this important difference, that whereas State ownership can be confined to particular undertakings without any tendency to undue extension, State control, especially if exercised through the medium of prices and profits, tends irresistibly to spread. Each new application calls for half a dozen extensions, until in due course the entire economic activity of the country is bound up in an inextricable tangle of red tape, and can only be freed by the Alexandrian device of cutting the knot.

The experience gained from State control of industry during the war has brought with it three distinct additions to our knowledge, and thereby opened out three new directions along which it should be possible to raise the tone of industry. It has collected a large amount of information in regard to the most efficient industrial methods—such as the use of automatic machinery, jigs, gauges, etc.—and has spread among industrial concerns generally a knowledge of the methods practised by the most advanced firms and hitherto confined to them. It

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has obtained information as to the costs of production and the possibilities of output which cannot but prove of value in the public supervision of industry and in furthering its future development. Finally, it has drawn aside the veil from much that was disreputable in business dealings in the past, and has acquainted the community with the use of that most potent of all weapons for the quickening of individual conscience and the securing of honourable conduct—publicity. This knowledge, rightly used, should provide a means for introducing a greater degree of order into the industrial process, but the problem of reconciling centralized direction with individual economic freedom will remain.



## ***B.*—INDUSTRIAL REFORM**



W. N. Ewer

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## NATIONAL GUILDS CONTROL OVER INDUSTRY

BY

W. N. EWER

It is generally not easy to divine with any certainty the intentions of politicians ; they are an unfixed and variable quantity, hard to estimate or foretell. And on the eve of an election they are doubly so ; for the skilled electioneer practises ambiguity and vagueness as a fine art.

But at the moment of writing it does seem tolerably clear that both the Coalition and the Liberal party are pledged to something which they describe as the removal of Governmental control over industry. And probably that intention is a really firm one. The exigencies of electioneering may bring some modification. But election promises are less than scraps of paper, and there can be little question that the forces which do finally control and determine the policies of the old political parties will insist on the restoration of the full liberties of the manufacturer and the merchant. Their conception of " reconstruction " is, in fact, the restoration and rehabilitation of capitalism—and to this the removal of all State control is an obvious essential.

Let us note in passing that the restoration of capitalism does not mean a return to the *status quo ante bellum*. Nothing is farther from the capitalists' mind. The war has taught them many things, and they have learned how to turn to their own profit many changes forced upon them by the public need. Most importantly, they have now fully realized, as only a few of them had realized before, the advantages of concentration. Combination has made astonishing progress during the past



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four years—largely under the influence of Governmental control. Industries have of necessity been treated for control purposes largely as units; employers' organizations or representative committees have had to undertake administrative work; the barriers between firm and firm have been broken down; the path has been largely cleared for the trustification of industry.

And this movement has been quite deliberately fostered and encouraged by the Government. Reconstruction committees are definitely advising the amalgamation of all the railway companies, and the formation of gigantic electrical combines. The new oil industry is to be organized on approved monopolist principles. The industrial gospel of Mr. Ernest Benn—a species of constitutional monopolism—is in high favour. And the Whitley Council apparatus is far better devised for the facilitation of trusts than for the democratization of industry: is, one suspects, largely a device for securing the consent and even the co-operation of labour for the creation of great industrial combines.

Now all this is very relevant to the issue of the continuance or discontinuance of Governmental control. For the opponents of continuation base their case mainly upon denunciation of bureaucracy. It is at the moment an exceptionally popular argument, because in a thousand ways during the war period the man in the street, whatever his social status or economic function, has felt the irk and the irritation of bureaucratic interference. Dora is an unpopular mistress, and the prejudice against her is easily extended to all forms of Governmental interference. The blunders, too, and the stupidities of Government departments and of controllers in general are matters of common jest; while we are apt to forget that the task in which they have blundered is one in which uncontrolled capitalism had already failed completely. Its machinery, devised for the making of profit, has shown itself utterly unfitted for the carrying out of national needs; its motive power is private gain, and it could not respond efficiently to any other stimulus.

We should be just then, even to bureaucrats; and

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we would certainly not let their follies make us forget the more egregious failures and crimes of capitalism. But the point I am concerned with at the moment is this: that the choice is no longer between bureaucracy and individualism. The old alternative of letting a man run his business in his own way is no longer with us. The individual employer, for good or ill, will no longer be a free man in his buying and his selling. He will be a member, in some form or other, of a trade organization, which will settle these things for him. His prices will be fixed, his supplies rationed, his markets assigned. He will certainly be under control—under a bureaucracy of some kind. The only question is whether the controlling bureaucrats in each industry shall be responsible to the State or to the industrialists themselves.

Now comes the more subtle argument—especially tempting to the Guild Socialist. Surely, we are told, the right plan, the democratic plan, the common-sense plan, is that of industrial self-government. Surely this is the guild method, as opposed to the collectivist system of Government control. Let us have concentration, a governing body and officials for each industry, responsible to the industry itself. Have you not there the embryo of a guild? True, its structure would not for the moment be democratic. The workers themselves will not have the control, though through Whitley Councils they shall have already some voice in the matter. But that is a development that comes later. Let us get rid of these outside officials; let us secure self-government for the industries first; the precise form of that self-government we can determine later. It is an internal and a domestic question. Let us get our independence and then settle our constitution.

Pretty and plausible enough. But it takes no count of two important facts. First, the very vital one, which some of our *soi-disant* sympathizers would have us forget, that Guild Socialists *are* Socialists, and that our quarrel with capitalism is far more fundamental than our quarrel with collectivism. Secondly, that the guild system which we contemplate and for which we are work-

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ing, does happen to include a certain measure of State control in industry. The State as it exists to-day, most guildsmen—and certainly I—do detest very heartily. But we do so chiefly because it is the weapon and the instrument of capitalism ; and we do not commit the folly of uncritically preferring officials controlled directly by capitalists to officials controlled by a State in which the capitalists, though predominant, are not entirely omnipotent.

Between the capitalist bureaucracy of an "autonomous industry" and the State bureaucracy of a "controlled industry," there is this fundamental difference: that the aim and object of the first will be the making of profit, of the second the satisfying of social needs. I do not imagine a completely satisfactory functioning of the second. Control in peace-time, as in war-time, will tend to be too tender to the profiteer. But with more or less goodwill, with more or less efficiency, it would work for the provision of adequate supplies, and for the limitation—if not as yet the extinction—of profit. That would be the job of its officials and—ruling out actual corruption—men do tend more or less to do the jobs expected of them. The officials of an autonomous industry, on the other hand, appointed by and responsible to men whose main purpose in industry is to make profit, would naturally devote themselves to the maximization of that profit. The one set in short, being State servants, would tend to guard the interests of the consumer, the others the interests of the capitalist. Between these two the choice of the Guild Socialist is not very hard to make.

Nor need he be deterred by the fear of extending State control over industries which he wants ultimately to be, in their internal economy, self-governing. For the principal field of State control at present is chiefly in precisely those spheres in which the political organism of a Guild society would have a voice. It is control, in the main, not over the processes of production, but over the buying and selling. That the State should take part in the determining of prices is good Guild doctrine. That

prices should be left to monopolist organizations of capitalists is neither Guild doctrine nor common-sense. The maintenance of State control over the markets will strike a tremendous blow at the making of profit. For it is in the buying and selling, in the rigging of the markets, rather than in actual producers' profits, that fortunes are made to-day. Eliminate that, keep your profits down to a "fair" return on costs, and you render far easier the necessary work of expropriation. Relinquish your control and give free play to the new combines, and you will have such a profiteering as was never yet known.

The control of profits is the first step to nationalization, and nationalization is an essential and an early step on the road to guilds. Because—for a score of reasons—we Guild Socialists have recently devoted much of our attention rather to the building up of industrial unionism and to the struggle for control within the workshop, there has been perhaps too little stress laid on that. Therefore I want to emphasize it in concluding. We are out very definitely and strongly for public ownership, both of the land and of industrial capital. No amount of workshop control within the capitalist system can content us. Our line of attack is two-fold. From below by industrial action we would take from the capitalist his control over the working of industry. From above by expropriation we would take from him his profits and his ownership of capital. Control by the State, in so far as it is directed to the supervision of buying and selling and to the prevention of profiteering, does limit profits, and is an aid to the complete expropriation which we demand. That, of course, is precisely what the capitalists themselves realize, and why they demand so insistently the restoration of their full right to profiteer. Probably they will get it, and it will take half a generation's experience of a trust system to teach us our folly.

## **GUILDS AND "THE STATE**

BY

**ARTHUR J. PENTY**

THE question as to what is the limit of State control and interference in industry after the war is, in my mind, entirely a question of expediency, since whatever may be the ideal to which we look forward we have to admit that for the present the shortage of material alone makes State control an inevitable and necessary evil. Its maintenance is the only way of avoiding chaos.

Such control, however, should only be temporary, in order to cope with an entirely abnormal state of affairs. For such functions do not, strictly speaking, appertain to the State, whose primary function is protection—military, civil, and economic—and the more it can be kept to these functions the better. The old Liberal idea, that whatever the State does, it does badly, seems to me true; consequently, the less we have to do with the State the better.

The abandonment of the Liberal principle is due to the force of circumstances which have thrust functions on to the State which do not properly belong to it, ultimately it is due to the destruction of the guilds four hundred years ago. This has been followed by an accumulation of economic disorder, which must be dealt with very soon, and which will never be dealt with effectively until the guilds are restored. Then control from within will be substituted for control from without.

But how are the guilds to be restored? This problem may be approached in different ways, but it seems to me the first step has already been taken. The fixed price with which the Government faced the problem

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of profiteering is a step in the direction leading to the revival of the mediæval idea of the just price. The State has here resumed a function which in the Middle Ages was performed by the guilds, and once embarked on this policy of regulating prices, the State will, as the system extends, find itself compelled to seek the re-creation of the guilds, in order to give practical effect to its intentions.

A policy of fixed prices should be combined with that of protection. Every industry which applied for the protection of a tariff should be given one, on condition that it agreed to sell its products in the home market at any rate at a fixed price, and to guarantee a standard rate of wage. This condition would prevent tariffs being abused by profiteers. The price would, of course, be determined by the Government. This measure would tend to stabilize industrial conditions, and so bring nearer the day of the guilds.

Meanwhile, by means of the collective contract, by which the workers undertake to do work at a price collectively instead of individually, they would tend gradually to resume the control of industry.

In the same way that it is necessary to decentralize the control of industry, to cope with our problems, so it is equally urgent that wealth be decentralized: for the concentration of wealth in a few hands leads to economic stagnation. This happened at the end of the eighteenth century, and in the normal course of things should have led to a revolution in England as it did in France, but the crisis was postponed by the invention of the locomotive which, in offering wide opportunities for investment, decentralized wealth, and with it brought about again a distributed initiative. But this process of expansion was checked by the coming of the limited liability company, following which a process of economic centralization has taken place. Just before the war this was producing economic stagnation. The war temporarily checked this tendency, but war profiteering has centralized it again. As soon as the shortage occasioned by the war is made good, the old problem will once again

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make its appearance, and there will be no solution for it apart from a redistribution of wealth. It remains for the wealthy class to determine whether the transition shall be made peaceably or by violence. But it has to come. There is no other way out.

This problem might be tackled in many ways. But every proposal now before the public can only tend to aggravate it: notably those of maximum production and the amalgamation of banks. The latter must tend to restrict credit, while the former, by increasing the pressure of competition, favours the man in possession. These suicidal ideas have arisen in the minds of capitalists because they are anxious to find a way of repaying the war loan while maintaining society as it exists. But it is all illusion. What they are doing can only precipitate the catastrophe. If they understood the situation, instead of seeking to evade the issue they would frankly face it, and seek, in the first place, to liquidate the war loan among themselves. Then they would allow themselves to be taxed for the purpose of reviving agriculture and placing men again on the land, while they would spend freely upon building and the crafts. This policy has often been followed to effect a readjustment of economic conditions after wars. Following the Franco-German war, the French saved themselves by building. They built everywhere, and it got things in motion again.

It would clear our minds considerably to recognize that there are two problems ahead of us. The immediate one is the problem of readjustment, which has been wrongly described as reconstruction, for there is nothing which suggests reconstruction in any of the Government proposals. They all suggest a continuation of the present order of things. In handling this immediate problem of reconstruction opportunism is perhaps the best policy. But though opportunism may be used to effect the necessary immediate readjustments, it will be fatal to assume that this is all that requires to be done, for the real problem of reconstruction—that is a rebuilding of society from its very foundation—will have to be faced in a few years' time. Exactly how long I hesitate

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to say. It may be three years, or five, or more. But the fact should be faced that the evil day, as it is called, cannot be postponed much longer. And to meet this situation I have a suggestion to make. The Government should institute a Royal Commission to inquire into the principles to be followed in this coming period of reconstruction. Hitherto, principles have been taken for granted, but it is dangerous to continue so doing much longer. Owing to the attitude of the Press during the last twenty or thirty years, which has boycotted ideas as disturbing, a gulf has gradually yawned between the best modern thought and officially recognized thought, which can no longer be bridged. In these circumstances the Government should, while yet there is time, inquire into the various ideas which are current to-day on social topics, to determine on what principles the new society is to be constructed. For a Government which is to handle the problem successfully must possess principles.



## **The Guild Control over Capitalism**

### **THE GUILD CONTROL OVER CAPITALISM**

BY

**MAURICE B. RECKITT**

IT is obvious that the situation as regards State control which must arise with the return of peace (and indeed by the time these words are printed it may already have arisen) cannot be understood without a knowledge of the steps which the State has actually taken during war-time to restrain our industrial system, from pursuing its natural tendency to realize the greatest good of the smallest number. Yet though the essential facts in the process of State control are by no means inaccessible,<sup>1</sup> ignorance of them is still profound, even amongst those most immediately concerned ; while the significance of the tendency which these facts represent has scarcely begun to be estimated. State control, it is true, has contrived to get itself recognized as one of the "problems of reconstruction," and people of "varying schools of thought" (by which solemn phrase the moderns choose to describe what are for the most part but the phenomena of temperament and prejudice) have already signalized their recognition by hurling at it such phrases as lay around conveniently to their tongue. "Bureaucracy," "paternalism," "Government shackles" have been contrasted with "industrial autonomy," "economic liberty," and the "new brotherhood of employer and employed." Enthusiastic clerics

<sup>1</sup> See, for instance, the admirable little volume on *The State and Industry During the War and After*, published by Ruskin College in their "Reorganization of Industry" series ; also the Memorandum on the same subject by G. D. H. Cole, published by the Labour Research Department.

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have hailed State control as "a taste of socialism," and have liked the taste so much that they have asked for more. Rhetoric of this kind, however, can only make confusion of thought worse confounded. It is hardly surprising, in the circumstances, to find some of our most "well-informed" writers seemingly unable to distinguish between State Control and Nationalization, or to understand the difference between a Whitley Council and a national guild.

Space prevents any attempt at even a summary of the measures taken by the State since 1914 to establish some degree of control over industry, but it is important at the outset to insist on the motive behind them. For in the prevailing discussion of whether and to what extent it would be desirable that the State should embark upon a deliberate policy of interfering in the public interest with the processes of purchase, production, and distribution, it is often overlooked that in its intervention in these spheres during the war, the State has not, in the strict sense, been pursuing a policy at all. It has been obeying a necessity. It was too much to expect from a capitalist system, organized explicitly for private ends, that it should scrap its ideology at a moment's notice and confine itself purely to the pursuit of the national interest, without so much as a backward glance at profiteering. A system of National Guilds, organized even in peace-time to undertake the service of the community, could have been trusted to transform itself, without more friction than was inevitable in the scale and scope of so vast a change, into an efficient instrument of victory. Consultation with the officials of the State would have been necessary certainly; but once the State had made its needs understood, the guilds could have been trusted to do their best with as complete a confidence as the nation is now accustomed to trust its army in similar circumstances. But with an industrial system permeated from top to bottom with a gospel of gain, a gospel handed down from the apostles of finance through every grade of the capitalist hierarchy, to the humblest

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catechumen toiling for a premium bonus, the State could only hope for efficiency (to say nothing of honesty) to the extent that it intervened itself to secure it. Needs must when the Prussian devil drove ; and a governing class, by no means predisposed to interfere with the congenial practices of profiteering, was almost in spite of itself forced to call a halt. The employer, no less than the workman, was needed to feed the guns, and the farmer and the shipowner were needed to feed the gun-makers. In time of war even a government committee may be forced to become a committee of public safety, and the plutocratic state a guardian of the public interest. The State intervened in industry goaded by the discovery that if it did not, our soldiers would have been disarmed, not by the enemy but by our own industrialists, and our country blockaded by British profiteers.

But as the spokesmen of capitalism have never ceased to remind us, it is professedly as emergency measures that the ordinances establishing State control have been introduced ; and even Dora herself, unless she can add immortality to the other attributes of a goddess, cannot "deem" an emergency to last for ever. *Inter arma silent leges*, and it may be that economic laws are not so sacred that they can avoid being suspended when the nation is fighting for its life. But when the autocracy of the Prussian has been destroyed, the capitalist will demand that his own shall be restored, and what is the State that it shall say him nay? The bureaucrat may have thought to entangle him securely with the bonds of red tape, but with the aid of "his" workers, who have no more love than he has for the interference of the State official in the workshop, he will cut the Gordian knot. A strike of masters and men against Government control is a by no means impossible form of syndicalism, and the State would have its work cut out to cope successfully with a resolute and genuinely national alliance of employers and employed.

Postponing for a moment consideration of how far

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and in what directions the claims of "industrial autonomy" may be valid against the pretensions of State Control, it has to be recognized that the difficulties involved in a deliberate attempt to regulate the capitalist organization of industry without superseding it are very, real, once the exceptional circumstances of war-time have disappeared. For instance, the restriction of profiteering, however unpalatable it may have proved to the profiteer, has been compensated for by the fact that in the great majority of cases a steady and perfectly reliable market for his goods has come into existence without any efforts being necessary on his part to create one. In many instances this market has been provided by the State itself, and the manufacturer has been relieved of all anxiety as to how he should dispose of his products; his only concern has been to turn out as large a quantity as possible of them. After the war this security of a market will disappear. Moreover, it has to be realized, that however strongly we may deprecate an industrial system, inspired and regulated by the prospect of profit, that motive did serve in a rough and ready way to keep the wheels going, and to supply a vast amount and a wide variety of commodities to the consumer with the resources to purchase them. The claim of the apologists for capitalism that "it works" can never be conceded as a valid one when it is remembered what miseries of destitution it has for many decades imposed upon a substantial proportion of our people, and what countless charitable agencies, both public and private, have had to be called into being in order to preserve the very existence of the poor. The capitalist organization of industry fails hopelessly in the elementary task of securing that the population shall be maintained even in efficiency, to say nothing of comfort. But its spur of profit does supply a dynamic principle (if we can call it such) by which, in the words of the cliché, "the business of the country must be carried on." If we are to transform industry from a business into a service we must find a motive and an organization equally powerful, and we are not likely to

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find it in the direction of bureaucracy. I do not see how capitalism is to adapt itself to the Procrustean bed of State control without the sacrifice of such few symptoms of efficiency as it now displays ; and I see even less chance of it consenting to make the attempt.

The demand of the capitalist is already familiar : it is State assistance with State interference. The profiteer is to be "released at the earliest possible moment from the paralysing influence of Government control" (as Lord Inchcape has put it), but, the State by tariff, by subsidy, by the chartering of "trade parliaments" on a capitalist basis, is to establish the dominion of profiteering over society for the rest of time. It has even been suggested<sup>1</sup> that "the education of labour in the point of view of capital and commerce" should be a function of the Government, to be undertaken by a Ministry of Commerce enjoying the full confidence of the business community. The end to which such "education" would be directed would be the winning of labour's consent to a subordinate place in vast national trusts, pursuing feverishly an ideal of "prosperity" by an increased output of purely quantitative production, with standardized machinery manned (and "womanned") by standardized machine-minders all urged towards their private goals of gain by the incentives of premium bonus and "scientific" piece-work systems. I can only comment on such a utopia with the familiar observation that for those who like this sort of thing, this is the sort of thing that they will like. It is an interpretation of the idea of industrial autonomy which can, no doubt, be made to commend itself to many amongst the workers who seek private advantage within the wage system rather than their own emancipation and the honour of their class. And in the name of industrial autonomy a stout and effective resistance may be offered by industrialists of all grades to every tentative advance of the bureaucracy, with its counter-claim of defending the public interest.

Small wonder that between its dread of exploitation

<sup>1</sup> By Mr. Ernest P. Benn. See his *Trade as a Science*.

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by profiteering and its suspicion of bureaucratic arrogance and inefficiency, the mass of the people stand bewildered and dismayed. There is truth, they recognize, in the contention that the management of industry can only safely be entrusted to those who are directly concerned in it, and that all that can be done to raise the corporate consciousness and improve the organization of an industry is to the national advantage. At the same time, experience has taught them what to expect from the tender mercies of profiteering corporations, when these are in a position to exploit the economic situation ; and they are sensible of the relief which even the timid experiments of Government controllers in war-time have brought to the hapless consumer. The problem, they feel, is beyond them ; and for want of a little clear thinking, apathy is like to follow on perplexity and despair upon both. What is to happen to the public interest, the puzzled citizen asks himself, when even the governing class cannot agree about it !

If we are to avoid apathy—to say nothing of despair—we shall do well to inquire a little more closely into the nature both of the “ public interest ” and of the State which claims to be its guardian. In the first place, let us realize that the public interest, in any liberal interpretation of the term, means something more than the relief of the consumer from high prices ; more even than the peaceful preservation of “ law and order.” We have to consider, for instance, to what extent—if at all—the public interest can legitimately be discussed apart from the industrial status of the average citizen in his rôle as producer. The question is not merely relevant to the issues discussed by this book, it is vital ; for upon our attitude to it will depend the decisions to which we may come in regard to the whole sphere of the State in relation to industry and labour, both to-day, and in the future for which we build. If we consider the public interest to be something apart from the status and the liberty of the mass of the public so far as their working lives are concerned, then we may rest content

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with a State action which is directed merely to arriving at a concordat between profiteer and bureaucrat, which, however it may safeguard the consumer, will leave the worker in wage-slavery. Again, if we interpret the public interest as signifying nothing more than the avoidance by governmental action of any kind of social disturbance or agitation which might threaten the calm of the "established order," then we may permit the State to impose industrial peace at any price. But if the price to be paid is the choking of the workers' growth towards responsibility and economic liberty, beneath the frost of State capitalism, then those who deem the achievement of a free status in industry by the mass of those who engage in it to be an essential part of the public interest, will consider that price to be one which the nation cannot afford to pay.

For the State, however much—and rightly—we may revere it, is not the only expression of the nation's public life, and it cannot make exclusive claim to the citizen's allegiance. Society is something wider than its political organization, and includes associations, or at least the rudiments of them, which may find themselves legitimately at issue with State machinery until the true social synthesis be attained. The term "State" may stand for very different things according to the manifestations of governmental activity at which we happen to be looking, and the angle from which we view them. What Mr. A. G. Bradley pictured as the "armed conscience of the community," Mr. Belloc would describe as a clumsy and corrupt political oligarchy. For one man the State will stand as the embodiment of national will; for another the same term suggests nothing more than a congeries of incompetent and conflicting bureaucracies. The State is at the same time a collector of revenue and a trader on its own account; its authority takes shape in a hundred forms, from Big Ben to the pillar-box at the street corner. But for all its versatility the State is not all-sufficing: it may certainly be questioned whether it even embodies the most important efforts of

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democracy to-day. That claim could be made with no small degree of justice for those bodies created by the workers in the first instance, to protect their livelihood, and destined later, we may hope, to achieve their deliverance. The trade union is the worker's reply to capitalism ; it is there, and there only, that we can safely look for a nucleus of industrial autonomy, capable of developing into a democratic guild to share a social partnership with a democratic State.

In the light of this ideal, then, let us approach our problem of State intervention in industry. In doing so we have to recognize clearly that the guild demand involves an attack upon the capitalist control of industry which must be pushed home until all the functions of the employer *in his capacity as a profiteer* are stripped from him. Clearly the control of production must pass over to the guild ; control of the product must be shared between the guilds and the State. It is obviously impossible to discuss in this place the precise limits of State intervention in a guild society ; all that can be said of that intervention is that it will be essentially secondary, exercised only so far as may be necessary to secure the co-ordination of industry with the needs and policy of the nation as a whole, and to safeguard the interests of the public. Initiative in every industrial function must lie with the guilds if they are to be free—as they must be—from any trace of collectivist influence ; and this demand of course carries with it the corollary that they will succeed to the functions of the capitalist as a merchant and trader no less completely than they will supersede him in the sphere of production.

What the guildsman has to consider, then, is to what extent he should welcome and assist the assumption by the State of functions now exercised by the capitalist which the guilds, as they develop from the embryo of trade union and professional organization into responsible corporations embracing every grade of worker in the industry they cover, must in their turn subtract from the State if it should decide in the meantime to assume



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them. In the sphere of finance we have to come to a decision on the question of State control over investment and the issue of capital; in regard to the capitalist's rôle as merchant we have to decide upon our attitude in regard to State control of the purchase and distribution of raw materials; while in respect of production we have to define a policy upon the rival methods of nationalization and control by Government departments of industry remaining as a private "enterprise" and on a profiteering basis.

It may be well to explain at once an objection which some guildsmen feel to be vital against the whole apparatus of State control. They fear that by coming to terms with the State and arranging to conform to certain limits within which the operations of profiteering shall in future be confined, the capitalist will obtain a position of unassailable authority by obtaining public recognition as a legitimate partner of the State. As a result of a treaty between politician and bureaucrat on the one hand, and financier and employer upon the other, a system of State capitalism will be securely established, and any chance of abolishing the wage-system thereby rendered impossible save by a catastrophic revolution which would involve the complete subversion, not merely of the industrial order, but of the State itself. It is just such a development towards State capitalism which the extremists of "Industrial Unionism" declare to be the fulfilment of an inevitable tendency, and to counter which they are impelled to advocate a policy, which it is now fashionable to describe as "Bolshevik." The proposal that the workers should be invited to take a share in working the schemes which the State arranges with capitalism to establish does not reassure those guildsmen who deplore the tendency to "State control," rather does it alarm them; for they fear that labour, accepting the rôle of a subordinate caste, would strengthen the tendency already present amongst the workers to abandon all efforts to secure for their unions a free status of partnership, and to resign themselves to the comfortable bondage of the servile State.

Alarm at the prospect of State capitalism is most certainly justifiable, and one may share it without jumping to the conclusion that every vestige of Government control over industry must be inflexibly opposed, regardless of the consequences which the alternative must threaten to society as a whole. In the time of transition, conventionally referred to as the period of reconstruction, before the circumstances of industry can begin even to approximate to the normal—a period which cannot well last for less than two years from the conclusion of peace and may last a good deal longer—State control will continue to be, as it is now, an imperative necessity. The workers should profit by their experience of it during this time sufficiently to be able to decide firmly upon their attitude when, with the re-establishment of stable conditions, the moment comes to determine how far State control of industry shall pass from being a necessity imposed by circumstances into a deliberate policy consciously adopted as a means of promoting the public good. In the matter of the purchase and distribution of raw materials, for instance, the control boards established in the textile industries have given to the unions equal representation with the employers in determining the rationing of supplies—an experiment which marks an important stage in the encroaching control which trade unionism must develop over the functions of the capitalist. Such control may not in its initial stages affect in any obvious manner the economic power of the employer, but by gradually stripping him of such useful tasks as he at present performs in the organization of industry it exposes him in his essential character as a profiteer, thus inevitably lowering his prestige at the same time as it prepares a democratic organization capable of replacing his industrial autocracy.

It is outside the scope of this article to discuss means whereby this building up of a democratic fabric to challenge capitalism in the sphere of production may be achieved. But the task of the State in preparing

## **The Guild Control over Capitalism**

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the way for a reorganization of industry, on guild principles, though it is necessarily secondary, to that of the workers, is not therefore to be overlooked. It is true that, in the existing conditions of our plutocratic age, it would be idle to expect to find a State permeated, however unconsciously, by capitalist conceptions, advancing with eager strides towards any realization of social democracy. It is the instinctive desire of all governments to preserve an appearance of stability in the societies over which they rule, and this veneer of stability—for until capitalism has established a recognized system of industrial slavery it can be nothing more—is threatened by every advance of labour against the dominion of the wage-system. But democratic pressure may impel the State to stumble into courses which, however far from being satisfactory, nevertheless tend in the right direction. The nationalization of such staple industries as are ripe for it—and the maturity in this respect of the railway and mining industries at any rate can hardly be questioned—though it left the wage-system intact, could hardly fail to affect favourably (albeit indirectly) the movement towards control by the workers in those industries, quite apart from such benefits as it might confer upon the community at large. A unified management; the substitution of bureaucracy for the "personal touch" of the employer; suggestion of the status appropriate to a public servant—all these results of nationalization would be favourable to the development of a guild spirit and organization to combat the official element introduced from outside. A mere "State control" of such industries, more especially a control from which the great industrial unions concerned are excluded, will result in nothing but an assured status for profiteering, and Labour cannot allow its consent to be obtained to a system which invites those now in command of these great monopolies to "carry on as usual."

As for State control of investment, there seems every reason to welcome any extension of public authority over the money, lord, an extension which it may prove

## **Maurice B. Reckitt**

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highly desirable to extend even further over the banking system of this country, now in the hands of half a dozen colossal corporations on which our industry must depend for its very life-blood of credit. But this aspect of the subject, important as it is, lies outside that portion of it with which I have chiefly sought to deal. For those issues which to the guildsman seem most crucial to-day lie rather at the base of industry than at its summit. No State action, however enlightened or disinterested, can be a substitute for action taken on the initiative and by the efforts of the ordinary man through the associations built up by the patient energies of his class. In these before all must the worker seek the transformation of his status and the enlargement of his freedom: with them, as they rise to their true destiny, must the State seek a social partnership worthy of those traditions of liberty for which at her bidding so many thousands have advanced to die.



## **C.—LABOUR EDUCATION**



## PRESENT AND POSSIBLE STATE CONTROL

BY

H. SANDERSON FURNISS

QUESTION I.—Immediately after the war there will in all probability be a widespread clamour, especially among the employing classes, for the removal of all or nearly all of the restrictions which have been imposed on industrial freedom during the war, and it is possible that Labour, irritated by curtailments of individual liberty, and by the limitations which have been imposed on trade union action, may be inclined to join in this demand. In its eagerness for its own freedom, Labour may lend support to the removal of restrictions which it would be wiser to retain, at any rate, for the time being. All Government pledges to Labour must be redeemed, if Labour requires it, but in some cases it may be advantageous to the trade unions to accept alternatives to regulations which have been abandoned. Any alternatives suggested, however, should be scrutinized with the greatest care, and only accepted with the utmost caution.

The period immediately after the war will not be a normal period, and some of the State restrictions which it was necessary to impose for war purposes, it will be just as necessary to retain for purposes of reconstruction and for the restoration of order. Work will have to be taken in hand of a kind which can no more be left to unfettered individual enterprise than could the manufacture of munitions; for instance, the building of an adequate supply of good houses. Raw material of many kinds will still remain scarce, and it will be inadvisable to allow individual employers to begin scrambling for it once



## **Present and Possible State Control**

more in the open market. It will probably be necessary to continue some restriction on the free investment of capital, and as much valuable information has been obtained by the Government on the question of costings, some system of regulating and controlling the cost of various commodities should be adhered to.

The coming of peace would appear to be a suitable time for the State to take over entirely the manufacture of armaments and all kinds of munitions whatsoever, in so far as these are still thought to be required.

The freedom of the Press and free speech must obviously be restored, and the Military Service Acts must be at once repealed.

In general, any State restrictions which have been introduced during the war should be carefully considered with a view to seeing whether they can be used for another purpose, namely, the building up of a new and better society, and retained so long as they serve that end, while those which cannot be shown to do so must go.

Question II.—To this question it is very difficult to give a definite answer, for the limits of State interference must vary with the variety of activities in which the people are engaged. They may also vary from time to time, and according to the development of the people, educationally and otherwise. Generally speaking, I am doubtful about the desirability of State control in industry as a permanent policy apart from State ownership, but the nationalization of industry on a large scale with the State as at present constituted might not greatly mend matters. Nevertheless, a large measure of nationalization after the war would seem to be a step in the right direction, for State control in the truest interests of the nation should be more easily attainable with the means of production in the hands of the State than it is when they are privately owned, while State ownership would not hinder the work which is necessary for the reconstruction of the State itself. State ownership is most desirable in industries where the workers are sufficiently well organized and well educated to take some part themselves in the control

## H. Sanderson Furniss

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of industry, and nationalization should begin in those industries where the workers are in this position.

Looking further ahead, I think the State should aim at handing over the control of industry and the activities of the nation generally to voluntary groups, consisting of all concerned, supplying the means for their undertakings and keeping order between them. It should be its object to prevent the rise of artificial inequalities between these groups and between individuals, and be ready to remove them if and when they arise. It should allow groups of both producers and consumers a fairly free hand, but be ready to step in and prevent one group of producers exploiting another, and producers as a whole from taking advantage of the weakness of consumers. Above all, it should give the freest and fullest opportunity to all to develop the best that is in them. It should aim on the one hand at an ordered community, and on the other hand at the maximum of individual freedom, but where the hard-and-fast line is to be drawn it is impossible to lay down with precision.

Question III.—Our foreign trade and commerce should be free except in so far as there may be any industries which are vital to the safety of the nation. But if there are any industries of this kind, and which require safeguarding, they are certainly much too important to be left in private hands. No protection for privately owned industry. With regard to industry, I have nothing to add to what I have said in my answers to questions one and two.

## Industrial Control Needs a New Desire

### INDUSTRIAL CONTROL NEEDS A NEW DESIRE

BY

J. M. MACTAVISH

PREVIOUS to the war, industry apart from co-operation municipal and national undertakings was the product of private enterprise, and was run for private gain. From the point of view of profit-making it was highly successful, but from the point of view of providing the community with those things which it required, it was a sad failure. It failed to provide a sufficiency of decent housing. It produced a great deal of shoddy, and spent a great deal in advertising it. It failed to provide employment, adequate wages, and reasonable working conditions for many working people. The disastrous results of its failure in these respects have been revealed by the reports of our recruiting officers and the chief officer of our School Medical Service. While, therefore, industry before the war was accumulating vast masses of privately owned capital, it was at the same time parasitic, slowly destroying the vitality of the community. It is to the credit of the labour movement that it represented the only body of organized public opinion that strongly opposed these evils and advocated as a means of mitigating them a system of State ownership and control.

But before the war was many months old, the State was compelled to step in and give to industry a social motive. The methods adopted aimed to take the capitalists into partnership, to give them definite social functions, and to impose on different industries varying degrees of State control. The Government took to itself powers to decide what work other than State work should be undertaken. Through its system of costings and con-

## **J. M. MacTavish**

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sumers' councils, it controlled and regulated prices. It set up new industries and insisted on labour-saving machinery and improved organization being introduced wherever it was possible. It became the largest wholesale merchant in the world ; purchasing goods and materials to the value of thousands of millions of pounds, transported them from all parts of the world, fixed their prices and distributed them.

To claim that in all this the State was entirely successful would be an exaggerated and a ridiculous claim. But if it be remembered that the vast organization necessary to accomplish it had to be improvised in a period of about three years, while the country was engaged in a world war, what strikes us is not its failures but its gigantic success. If there had been no State control, our supply of munitions would have fallen far short of what was required, and prices would have soared 100 per cent. higher than they have. Our financial system would have collapsed, and employment and wages would have got into a condition of chaos. As a result the Central Powers would have been victorious, and our country would have become the theatre of a violent social revolution.

How far it is possible or desirable to perpetuate this gigantic system of State control is difficult to say, owing to insufficient reliable data. A reliable industrial history of the war period is urgently needed. But a consideration of the Government's reasons for imposing it may help towards certain useful conclusions. The objects in view were mainly : (a) increased productivity ; (b) the protection of consumers, by regulating prices. The return of peace has not lessened the need for State action in these matters. But the methods that were highly successful while industry was organized on a war-basis are not necessarily the most suitable when industry has been re-established on a peace-basis.

While on the one hand there are those who advocate the removal of all State control imposed during the war period, on the other hand there are those who advocate a system of national ownership of the means of pro-

## **Industrial Control Needs a New Desire**

duction, distribution and exchange, coupled with the workers' control of the processes and management. The public, however, are not likely to tolerate the former, and the workers are not yet ready to accept the latter. Our problem, therefore, is to consider in the light of our war experience to what extent we ought to retain this war system of State control of industry, and to what extent and in what direction we ought to modify it. Where State control appears to be no longer feasible, ought we to revert to pre-war conditions, or ought we to supplant it by a system of public ownership? Our final test as to which of these alternatives ought to be adopted, should be its effect in ensuring increased productivity, the democratization of industry, and the protection of the consumers from the undue exploitation of Trusts and other financial combines.

To secure for the workers a higher standard of life, and to pay for the war, involves a great increase in the annual output of industry. This, however, must be attained without imposing on the worker any undue physical or nervous strain. Our aim must be to increase and improve our industrial output in such a way as will ensure for both workers of hand and brain a much pleasanter time than hitherto.

With this in view, we ought to give our first consideration to the land. During the war, the Government exercised its right to control over the land with excellent results. It set up county committees with powers to assist and insist on users of land putting it to the best use. How far it may be possible to continue this system of control is a question on which the opinion of public-spirited experts should be heard. But since it is essential that our land should be so used as to yield the maximum product, State control is not enough. State ownership, which would ensure to the users of land security of tenure at reasonable rents, would give a great impetus to production. Instead of an army of agricultural labourers continuously under the thumb of the landed trinity, the squire, the farmer, and parson, it would produce an army of free men whose economic

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circumstances would be such as would enable them to invite the landed trinity "to go to the devil" when they felt like it. We cannot hope to build up a free England while so many of our agricultural workers are but slightly removed from serfdom. Only when our land is cultivated by free men, motivated by social ideals and applying co-operative principles and methods to the problems of the countryside, can we hope to attain it.

It is equally important that where necessary the State should retain the right to insist on our workshops and factories being put to the best use. We cannot afford to allow the labour power and raw materials of the community to be wasted through bad management and obsolete machinery. In those industries in which labour is organized and Whitley Committees have been established, the rights and responsibilities of the State should be vested in these committees, but where these conditions do not obtain, and more especially in our sweated industries, other methods ought to be devised.

Since transport is to industry what blood-vessels are to the physical body, a national system of transport should supersede the present system of State control. If at the same time freightage were charged on weight and bulk and not on mileage it would be a great stimulus to putting land that is remote from the markets to its best use, while rents imposed because of the accessibility of land to markets would fall.

The present system of State control of our mines cannot continue, and the only alternative if increased output is to be assured is national ownership. This would enable the State to effect an enormous saving in our coal consumption by establishing national electric-power stations, and providing electric light and heating at a price that would make it possible to install them in all working-class homes, both in towns and villages. Further, it would bring within the sphere of practical politics the provision of a system of cheap transit for the countryside and the provision of cheap electric-power for the establishment of village industries.

But while these changes would undoubtedly increase

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production, from the point of view of the workers State ownership is not an unmixed blessing. It is bureaucratic. Bureaucracy or autocracy in industry poisons democracy in politics. It is the autocrats of industry who are the power behind our statesmen : a sinister power that must be checked. The worker's demand for a share in the control of industry is the expression of his self-respect, of his revolt against being regarded as a mere cog in the industrial machine. To deny that this demand creates problems would be futile. The establishment of Whitley Committees, however, despite their limitations and possible dangers, will provide opportunities for working out these problems experimentally. But undoubtedly our national workshops offer the most favourable circumstances for the working out of these problems.

The growth of financial combines during the war imposed on the State the duty of protecting the public against inflated prices. With this in view the costings department and the consumers' councils should be retained as advisory bodies, enabling the Government to regulate prices.

While, therefore, with a view of ensuring a great increase in our industrial output it would appear that State control over management and methods should be superseded by national ownership, from the point of view of the worker this should be coupled as far as possible with the workers' control of the process, while from the consumers' point of view State control of prices appears desirable.

But no mere change in our system of industrial ownership and control will suffice. The most difficult and at the same time the most fundamental problem is, how to give to industry a new motive ; how to inspire it with the spirit of social service. Unless we can attain this, the transfer of ownership to the community and of control of the process to the workers will accomplish but little. It is, however, neither to our trade unionists nor to our politicians, but to our school and university teachers that we must go for a solution of the problem. The teaching profession must become the priesthood of the future,

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and its primary function must be to inspire and equip our rising generation for social service. But the workers' demand for a share in the control of industry will not be put off by promises of what may be done for the next generation. The demand is here and now, and calls for immediate satisfaction. To equip adult workers for the new responsibilities they aspire to, is an essential part of our problem. Lack of education, however, is the workers' most serious handicap. That this is clearly recognized by working people themselves is shown by the rapidly increasing demand for facilities for the study of social science. But because the impulse is entirely social it refuses to utilize existing machinery. It seeks satisfaction in self-governing groups of students, untrammelled by the dogmas of either authorities or tutors. Under such conditions the spirit of free inquiry is stimulated and the mental powers of the student to sift facts, weigh evidence and form sound judgment is developed.

The democratization of industry is a greater adventure than the democratization of politics. It raises problems into which there has been but little investigation, and for the solution of which we have no past experience or established principles to guide us. To avoid mistakes and attain success in this great adventure the workers must contrive to build up and control their own educational institutions, of which the Workers' Educational Association has been the most successful. Untrammelled by dogmas, actuated by the spirit of free inquiry, desirous only of building up an educated democracy, the W.E.A. has attracted to the service of the working-class many of the best minds in the country. It organizes in classes each year thousands of adult working-class students, and secures for each group the services of qualified tutors and the right of self-government.

The success of its methods indicates the way in which the adult workers can best be equipped for playing an ever increasing part in the control of industry.





***TRADE UNION VIEW***

**TRADE UNION VIEW  
TOWARDS A NATIONAL TRANSPORT**

**ROBERT WILLIAMS** (Secretary, National Union of Railwaymen and  
National Transport Workers' Federation).

## **TOWARDS A NATIONAL TRANSPORT**

BY

**ROBERT WILLIAMS**

THE recent formation of a Joint Committee of the National Union of Railwaymen and the National Transport Workers' Federation means that in the very near future this new body will cover practically the entire transport of Great Britain: road, rail, air, and water. I include air because the Executive Council of the National Transport Workers' Federation has decided that "all workers who are or may be engaged on commercial aerial transport of goods and passengers" shall be eligible for affiliation to the Federation.

One may, therefore, be permitted to offer a few observations with regard to the probable trend of events in this, one of the most vital of our industries. Economical and swift transport is indeed the life-blood of a nation, and while this nation was unchallenged in regard to its maritime transport, the condition of our inland transport left so much to be desired as to be the despair of reformers. Inland transport was slow, dear, complicated, and generally inefficient. As in most inefficient concerns, transport employees were over-worked and underpaid. Hence, the strong demand by both railway workers and transport workers generally that the increases gained during the war shall be converted into wages.

Visualizing the future, one can see, first of all, a tremendous development in road transport. The hundreds of thousands of lorries and cars now in use

This article was sent by Mr. Williams in reply to the symposium questions. It originally appeared in the *Athenæum*.

## Towards a National Transport

in the various theatres of war, with their complement of trained drivers skilled by three years of war conditions, will be thrown into competition with other means of transport at a time when the canals will still be almost derelict, and the railways faced with a shortage of rolling-stock and material, and with long accumulations of repairs and renovations to make their lines efficient. Revenues of railways and canals will have remained practically stationary under the control arrangements existing, while the road traffic has been reaping the full advantages of war conditions. Already, for distances up to a hundred miles, road transport is superseding the railway for the transport of goods, and, within rather shorter distances, of passengers also. Daily passenger services up to twenty-five miles are common in and around London; and daily goods services between, for example, Birmingham and London are found to be quicker than the railway and more economical for certain classes of goods. This tendency will be largely increased in the near future, and its full effect will be seen swiftly following upon the resumption of peace.

Apparently, the traffic of the future will tend to be divided into four main classes: first, the exceptionally light and fast goods traffic, including the mails, carried by aeroplane service, which will also convey those passengers to whom time is the first consideration. Second, the bulkier and heavier goods traffic, and long-distance passenger traffic, carried on by the railways. Third, the lighter and less bulky goods traffic and short-distance passenger traffic, carried on by motor transport, omnibuses, and trams. Fourth, the heaviest class of goods traffic, carried on by means of an enlarged and improved system of canals.

One looks towards a great extension of State activity in the matter of transport. The railway workers are demanding that the State shall retain its control over the railways after the war, and that a share of that control shall be vested in the National Union of Railwaymen. The National Transport Workers'

## Robert Williams

Federation, while not as yet committed to State ownership, has been pressed at the conferences recently held on "After-War Policy" to demand equal representation on all authorities controlling docks, harbours, canals, and other transport affairs on which its members are employed.

If the railways are nationalized the State will be faced with the competition of road transport, which competition will be assisted by the activities of the Road Board and the Development Commission, on which private transport interests are represented. Moreover, the State may assist this competition by throwing on to a flooded market a large number of cars and lorries at scrap-iron prices. Then, inasmuch as a third of the canal mileage of the country is owned by railways, nationalization will have to include canals. No doubt the railways will be treated generously, and on top of the expenditure so to be faced, the State will have to find huge sums for the reconstruction and improvement of the railways and canals. For, bad as the condition of the railway system is, the state of the canals is chaotic. They will need to be standardized to admit of barges up to at least 300 tons (barges of 1,000 tons are common on the huge canals of Germany), and better methods of propulsion must be introduced. Electricity, of course, will play its part as a propellant, and I am emphatically in favour of the sixteen great generating stations proposed in the report to the Ministry of Reconstruction being in the hands of the nation, because they will be, perhaps, a main factor, certainly a considerable factor, in the supply of power to tramways, railways, canals, and (given the long-looked-for economical accumulator) road and aerial transport.

For the reason that the immediate advantage after the war will rest with the privately owned road and aerial transport, I am in favour of the Joint Committee of the National Union of Railwaymen and the National Transport Workers' Federation pressing—possibly in conjunction with the postal employees—for the estab-

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lishment of a Board of Communications to administer the whole of the inland transport of passengers and goods by road, rail, air, and water. This Board would take over the functions of the Postmaster-General, the Railway Executive Committee, the Canals Control Committee, and the various tramway and omnibus undertakings. It should take over the motor and other transport vehicles now on war service, and use them for the foundation of a great national transport service. The Board should comprise equal representation of Labour and the State; and the various sectional committees and territorial administrative committees should also provide for a share of the control by the workers.

This may sound revolutionary, but the alternative to it is something on the lines of the following: a hopelessly inefficient and out-of-date canal system and a dear and complicated inefficient railway system "unloaded" on to the nation at an exorbitant figure, and needing huge expenditures to make them efficient. Meanwhile, the "interests" will use the capital so gained to purchase the discarded vehicles of the War Office and other Government departments now on war service. They will run them upon the ferro-concrete standard roads which will be provided by another State department, and will be able to use the great mass of drivers trained by the State in the army as a lever to keep their wages bill at the lowest possible figure and to resist the demands of the workers for a share of control. Moreover, by means of "Merzers" and combines they will be able to exploit the travelling public to a degree which will make Standard Oil methods seem like charitable enterprises.

Communications are the arteries through which the very life-blood of our economic system flows. Let the nation own its communications.

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